

Financial Statements

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

*December 31, 2020 and 2019
(Together with the Independent Auditor's Report)*

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

Financial Statements

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the North, Central America and Caribbean Volleyball Confederation, Norceca (hereinafter "the Confederation"), which comprise the statement of financial position as of December 31, 2020, and statements of activities and changes in net assets and cash flow statements 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 the North, Central America and Caribbean Volleyball Confederation as of December 31, 2020, its financial performance and cash flows for the year then ended, in conformity with the International Financial Reporting Standards ("IFRS").

Basis for the Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities regarding such norms are described in the section titled *Auditor's responsibility regarding the audit of the financial statements* of our 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 relevant for our audit of financial statements and have met 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 and for the internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, Management is also responsible for assessing the Confederation's capacity to continue as a going concern, revealing, as appropriate, matters related to the going concern and using the going concern accounting principle, except if Management intends to liquidate the Confederation or close its activities, or there is no alternative but to do so.

Those charged with the Confederation's corporate governance are responsible for the oversight of the Confederation's financial reporting process.

Auditor's responsibility regarding the audit of the financial statements

Our objectives are to obtain reasonable assurance on whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an audit report including 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 will always detect a material misstatement when one exists. Misstatements could be due to fraud or error, and are considered of significance when, individually or as a whole, could be expected to reasonably influence economic decisions taken by its users based on these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. As auditors, we also:

- Identify and assess the risk of material misstatement in the financial statements, due to fraud or error, design and apply audit procedures to respond to those risks, and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of a material misstatement due to fraud going undetected is higher than one due to error since fraud may involve collusion, forgery, intentional omissions, intentionally mistaken statements, or the circumvention of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are adequate under the circumstances, but not for expressing an opinion on the effectiveness of the Confederation's internal control.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and 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, we also conclude 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 there is material uncertainty, we are required to highlight in our audit report the corresponding disclosures in the financial statements, or if those disclosures are not adequate, to express a modified opinion. Our conclusions are based on audit evidence obtained as of the date of our audit report. Nevertheless, future events or conditions could cause the Confederation not to continue as a going concern.
- We assessed the global presentation, structure and content of the financial statements, including disclosures, and whether these statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicated with those in charge of the Confederation's Management regarding the scope and timing of our audit and the significant findings, including any significant deficiencies in internal control identified during our audit.

September 14, 2021
Santo Domingo,
Dominican Republic



Confederación Norte, Centroamericana y del Caribe de Voleibol, (Norceca)

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STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current assets:			
Cash on hand and at banks	7	10,266,774	15,393,750
Accounts receivable from affiliates	8	11,838,517	16,141,722
Other accounts receivable	9	2,130,031	3,703,064
Prepaid expenses		-	70,800
Inventory of sporting goods	10	42,462,841	23,015,428
Total current assets		<u>66,698,163</u>	<u>58,324,764</u>
Furniture and equipment	11	<u>727,883</u>	<u>1,218,305</u>
Total assets		<u>67,426,046</u>	<u>59,543,069</u>
LIABILITIES			
Current liabilities:			
Loans payable	13	58	10,580,053
Accounts payable to vendors and others	14	771,165	3,642,476
Accounts payable to affiliates and directors	8	7,763,583	12,270,607
Accruals and withholdings payable		2,346,405	6,429,907
Total liabilities		<u>10,881,211</u>	<u>32,923,043</u>
NET ASSETS			
Net assets without donor restrictions		<u>56,544,835</u>	<u>26,620,026</u>
Total net assets and liabilities		<u>67,426,046</u>	<u>59,543,069</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, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

		<u>2020</u>	<u>2019</u>
	Notes		
Changes in net assets without donor restrictions:			
Revenues:			
Economic contributions	8	-	2,037,780
Events and activities	8	28,254,869	66,135,151
Sporting goods advertising exchange	12	20,341,999	21,805,363
Affiliation fees	8	997,832	840,845
Other revenue	8	10,756,509	15,590,709
Total unrestricted income		<u>60,351,209</u>	<u>106,409,848</u>
Expenses:			
Personnel expenses	15	(9,450,246)	(11,069,088)
Professional fees		(3,436,050)	(4,282,158)
Coordination meetings	16	(643,819)	(3,663,091)
Events and championships	17	-	(4,127,273)
Telephone services		(494,546)	(1,339,295)
Depreciation	11	(534,337)	(554,788)
Donations of sporting goods	8	(2,872,779)	(27,688,562)
Economic contributions	8	(4,670,767)	(51,281,911)
Lodging, travel expenses and snacks		(243,303)	(3,202,415)
Regional Volleyball Development Centers	18	(439,725)	(2,888,866)
Airplane tickets	8	-	(132,141)
Office materials		(251,896)	(486,799)
Representation expenses	8	(653,357)	(1,599,171)
Loss on disposal of furniture and equipment		-	(7,576)
Interest expenses	13	(1,125,402)	(57,166)
Other expenses	19	(5,627,970)	(7,939,247)
Total expenses		<u>(30,444,197)</u>	<u>(120,319,547)</u>
Gain on foreign exchange, net		<u>17,797</u>	<u>1,483,760</u>
Changes in net assets during the year		29,924,809	(12,425,939)
Net assets without donor restrictions at beginning of year		<u>26,620,026</u>	<u>39,045,965</u>
Net assets without donor restrictions at year end		<u>56,544,835</u>	<u>26,620,026</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, (Norceca)

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STATEMENT OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Operating activities:			
Changes in net assets during the year		29,924,809	(12,425,939)
Depreciation expense	11	534,337	554,788
Exchange rate effect on allowance for losses in doubtful accounts	8	8,411,175	2,294,304
Allowance for loss in obsolete inventory	10	-	1,942,378
Inventory received in exchange for advertising		(20,341,999)	(21,805,363)
Loss on disposal of furniture and equipment		-	7,576
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable from affiliates		(4,107,970)	(7,526,001)
Other accounts receivable		1,573,033	(1,859,179)
Prepaid expenses		70,800	3,791,293
Inventory of sporting goods		894,586	19,538,035
Increase (decrease) in liabilities:			
Accounts payable to vendors and others		(2,871,311)	3,286,511
Accounts payable to affiliates and directors		(4,507,024)	3,003,225
Accruals and withholdings payable		(4,083,502)	2,424,326
Net cash provided by (used in) operating activities		<u>5,496,934</u>	<u>(6,774,046)</u>
Investing activities:			
Acquisition of furniture and equipment	11	<u>(43,915)</u>	<u>(131,548)</u>
Net cash used in investment activities		<u>(43,915)</u>	<u>(131,548)</u>
Financing activities:			
Acquisition of loans payable	13	8,057,005	15,628,003
Payments of loans payable	13	(17,511,598)	(4,990,834)
Interest paid		<u>(1,125,402)</u>	<u>(57,166)</u>
Net cash provided by (used in) financing activities		<u>(10,579,995)</u>	<u>10,580,003</u>
Net increase (decrease) in cash on hand and at banks		(5,126,976)	3,674,409
Cash on hand and at banks at beginning of year		<u>15,393,750</u>	<u>11,719,341</u>
Cash on hand and at banks at year end		<u>10,266,774</u>	<u>15,393,750</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, (Norceca)

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

1. Corporate Information

The North, Central America and Caribbean Volleyball Confederation (hereinafter "Norceca" or the "Confederation") is a non-profit that was organized in the city of Santo Domingo, Dominican Republic, on November 1, 2001. Norceca operates in the Dominican Republic under the figure of a Non-Governmental Organization (NGO) since 2007, as an affiliated to the International Volleyball Federation (FIVB). The Confederation's objective is to manage, organize, represent, regulate, control and evaluate volleyball and beach volleyball activities in the region, as well as support and facilitate the development of affiliated federations and oversee compliance with FIVB regulations.

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

The Fédération Internationale de Volleyball (FIVB) has organized its affiliated federations geographically into 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 Confederation's economic resources come mainly from the annual contribution it receives from the FIVB, as well as from the organization of competitions, events and activities, marketing rights, advertising and from the membership fees of the federations under its management. As of December 31, 2020 and 2019, the Confederation had 41 affiliated national federations and regional members.

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

The financial statements as of December 31, 2020 were authorized for issue by the Confederation's Management September 14, 2021.

2. Basis of preparation of the financial statements

2.1 Basis of preparation and compliance statement

The Confederation's financial statements as of December 31, 2020 and 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the International Accounting Standards Board (IASB).

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NOTES TO THE FINANCIAL STATEMENTS

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2. Basis of preparation of the financial statements (continued)

2.1 Basis of preparation and compliance statement (continued)

The International Financial Reporting Standards do not have specific standards issued, applicable to non-profit entities with regard to the classification of the structure of financial information and classifications of net assets, therefore, the Specific standards for non-profit entities issued by the Financial Accounting Standards Board (FASB) have been applied for those purposes.

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 not subject to restrictions imposed by donors.

Net assets without donor restrictions

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

The Confederation's net assets are only comprised of assets without donor restrictions, since no type of restriction exists.

2.2 Basis of valuation and presentation currency

The Confederation's financial statements as of December 31, 2020 and 2019 were prepared on a historical cost basis, except for certain items that are valued under the valuation methods described in note 4. The financial statements are presented in Dominican Pesos (RD\$), which has been defined as the functional and presentation currency of the Confederation.

3. Changes in accounting principles and disclosures

The accounting policies adopted by the Confederation to prepare its financial statements as of December 31, 2020, are consistent with those that were used for the preparation of the financial statements as of December 31, 2019.

The Confederation has not early adopted any standard, interpretation, or amendment issued that is not yet effective.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

3. Changes in accounting principles and disclosures (continued)

Revisions to the conceptual framework for the financial information (“the conceptual framework”)

The conceptual framework is not a standard; none of its concepts are above any standards or requirements of any standard. Its purpose is to support the IASB in developing standards that help financial statement preparers develop consistent accounting policies for cases when there are no established standards and to help stakeholders understand and interpret such standards.

The IASB publishes a revision to the Conceptual Framework in March 2018, which establishes a comprehensive set of concepts for financial information, the establishment of standards, guidance for preparers while developing consistent accounting policies, and assistance to others in their efforts toward understanding and interpreting standards. The conceptual framework includes some new concepts, provides updated definitions and criteria for the recognition of assets and liabilities, and a new guide on measurement and derecognition of accounts, presentation, and disclosure.

Modifications to IFRS 7, IFRS 9, and IAS 39: Reform of the interest rate benchmark

Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement have certain exemptions applied to all hedging relationships directly affected by the reform of interest rate benchmarks. A hedging relationship is affected if the reform creates uncertainties on times and/or amounts of cash flows based on benchmarks of hedged items or hedging instruments.

Amendments to IAS 1 and IAS 8: Definition of material

In October 2018, the IASB issued modifications to IAS 1 Financial Statement Presentation and IAS 8 Accounting Policies, Changes in Accounting Estimates and Misstatements to be consistent with the definition of “materiality” used in its standards and to clarify definition aspects. The new definition states that “the information is material if its omission, inaccuracy, or concealment may reasonably influence decisions made by primary users of general financial statements which provide financial information on a specific reporting entity.”

The amendments clarify that the materiality will depend on the nature or significance of the information, individually used or combined with other information in the context of the financial statements. An incorrect information disclosure is significant when it reasonably influences the decisions taken by the primary users of financial statements.

Amendments to IFRS 16 Rental Concessions Related to COVID-19

On May 28, 2020, the IASB issued rental concessions related to COVID-19 as an amendment to IFRS 16 Leases. The amendment exempts leases from applying IFRS 16 to the accounting of lease modifications for lease concession directly resulting from the COVID-19 Pandemic. As a practical solution, a lessee may choose whether a lessor's COVID-19-related rental concession is a lease modification.

These standards and amendments to standards had no impact on the financial statements of the Confederation in 2020.

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Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies

4.1 Balances and transactions in foreign currency

The financial statements are presented 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 then converted again at the exchange rate of the functional currency in effect on the reporting date. These differences are recognized in income or expenses in the accompanying statement of income and changes in net assets as foreign exchange gain, net.

As of December 31, 2020, the exchange rate used to convert foreign currency balances to Dominican pesos was RD\$58.11 (2019: RD\$52.90), in relation to the US dollar. Information related to balances in foreign currency is presented in note 6 of the financial statements.

4.2 Current and 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; it is held primarily for the purpose of trading; it is expected to be realized within twelve (12) months after the reporting period; and it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) 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 (12) months after the reporting period, or when there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period. The Confederation classifies the rest of its liabilities as non-current.

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 in banks is recorded net of bank overdrafts, if any.

Confederación Norte, Centroamericana y del Caribe de Voleibol, (Norceca)

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.4 Financial Instruments

A financial instrument is any contract that results in a financial asset at one entity and a financial liability or equity instrument at another entity.

The measurement 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 reporting date. For financial instruments for which there is no active financial market, the fair value is determined using measurement 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 measurement models.

Amortized cost: Amortized cost is calculated using the effective interest method less any impairment allowance. The calculation takes into consideration any premium 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 Confederation's approach to classify and measure financial assets reflects the business model in which assets are managed, and the cash flow contractual characteristics of the financial asset.

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 its financial assets based on the method through which they will be subsequently measured, at amortized cost, at fair value with changes in other comprehensive income or at fair value through profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(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) financial assets are maintained within a business model whose objective is to obtain contractual cash flows upon selling the financial asset, and (b) the contractual terms of financial assets 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 results

The remaining financial assets that do not classify into any of the categories previously mentioned are measured through fair value with changes in profit or loss. In addition, on initial recognition of a financial asset, the Confederation can irrevocably designate a financial asset that meets the measurement requirements of the categories previously mentioned, measured at fair value with changes in results, 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 by the invoiced amounts of the affiliation fees of the federations and the economic assignment fees of the FIVB. Recovery is analyzed periodically and an allowance is recorded for individual accounts classified as doubtful with charge to the year's activities.

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(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 assets 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 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 (12) 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 reporting date.

The Confederation considers a financial asset to be delinquent when the contractual payments are ninety (90) 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 enhancements kept by the Confederation. A financial asset is derecognized when it is not reasonably expected to recover contractual cash flows.

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NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.8 Inventory of sporting goods

Inventory is measured at cost or net realizable value, whichever is lower, and it is for internal use in the Confederation's activities. Cost is determined on the basis of first in first out (FIFO).

Inventory consists of sporting goods received in exchange for advertising and direct purchases, which are recognized at fair value at the time of the 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. This inventory is in turn used to be distributed to the different federations that comprise the Confederation.

4.9 Furniture and equipment

Furniture and equipment are recorded at acquisition cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation and those disbursements for repair and maintenance which do not meet the conditions for recognition as assets are recognized as expenses in the year when 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 relevant, at the end of each financial year.

A component of furniture and equipment is written off when it is sold or when the Confederation no longer expects future 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:

	Estimated useful life
Office furniture and equipment and others	4 years
Computer equipment	4 years
Electric plant	<u>7 years</u>

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(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 of sales and its value in use. Any related adjustments are recorded in the activities of the year in which they are determined.

The Confederation assesses at each accounting close whether there is any indication that previously recognized impairment losses for a non-financial asset 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 year's activities. During the years ended as of December 31, 2020 and 2019, the Company did not recognize any losses from impairment in the value of non-financial assets.

4.11 Leases

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

Company 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 recognizes lease liabilities to pay for leases and right-of-use assets that represent the right to use underlying assets.

a) Right-of-use assets

The Confederation recognizes right-of-use assets 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.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(Amounts in Dominican pesos - RD\$)

4. Summary of significant accounting policies (continued)

4.11 Leases (continued)

Company as lessee (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 through the lease payments made. Additionally, the carrying value of lease liabilities is remeasured 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 twelve 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 such at fair value with changes in results, and loans payable and derivative financial instruments designated as hedging instruments with an effective hedge, as appropriate. The Confederation determines the classification of its financial liabilities on 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 vendors and others, accounts payable to affiliates and directors, and loans payable.

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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 recognized initially at fair value on the respective contract dates, including attributable transaction costs. After initial recognition, accounts payable short term that do not bear interest are measured at invoiced costs. For those cases of accounts payable long term that do not bear interest, the Confederation measures them at amortized cost using the effective interest method. The Confederation recognizes gains or losses in the corresponding period when financial liabilities are derecognized as well as through the amortization process.

Loans payable

Loans payable are recognized initially at fair value on the respective contract dates, including attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The Confederation recognizes gains or losses in the period's activities when financial liabilities are derecognized as well as through the amortization process.

4.13 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation has been paid, canceled or expires. When a financial liability is replaced by another from the same lender under substantially different conditions or the terms of the existing liability are modified substantially, this change or modification is treated like 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 income and changes in net assets.

4.14 Revenue recognition

The Confederation's revenue is recognized as such when the contribution can be reliably measured and it is probable that the economic benefits derived from the economic contributions will be received. Income from events and activities is recognized in the period in which the activity is carried out. Income from affiliation fees correspond to non-refundable fees, charged to the federations affiliated to the Confederation and are recognized annually.

Donations of sporting supplies received are recognized at the fair value of the contributions at the time they are received.

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4. Summary of applicable significant accounting policies (continued)

4.15 Recognition of expenses

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 a non-profit Non-Governmental Organization; however, this condition does not exempt it from paying the tax for salary withholdings and third parties. Therefore, they must operate as tax withholding agent for salaries paid to employees that are under the levels set by Law 11-92, as well as those taxable services provided to the Confederation by third parties.

4.17 Cost of employee benefits

Pension plan

As of the entry into force of Law 87-01, which establishes the Dominican Social Security System (SDSS), the Confederation recognizes monthly as expenses the contributions made to the pension system to be deposited in the employees' individual capitalization accounts, as well as employee contributions, as an accrual until the moment they are deposited at the beginning of the following month, in the financial entities authorized by the Superintendence of Pensions of the Dominican Republic, for their subsequent transfer to the individual accounts in the pension fund managers. In the year ended December 31, 2020, the Confederation made contributions for this concept amounting to approximately RD\$436,200 (2019: RD\$568,400), which is included as personnel expenses in the accompanying statements of activities and changes in net assets.

Severance

The Dominican Republic Labor Code requires employers to pay employment benefits to employees who are dismissed without just cause. The value of this benefit is recognized in the statement of income 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. Beginning in 2019, the Confederation decided to determine the amount that corresponds to each employee and pay it annually. If an employee is separated, the amounts paid will be deducted from the compensation payable for the acquired rights. If an employee that received this severance resigns, the balances paid will not be collected.

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4. Summary of applicable significant accounting policies (continued)

4.17 Cost of employee benefits (continued)

Other benefits

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

For these benefits, the Confederation recognizes a liability using as a parameter the amount accrued by employees based on labor agreements. As of December 31, 2020 and 2019, for the vacation benefit there is a liability recorded in accruals and withholdings payable in the accompanying statement of financial position.

4.18 Significant accounting judgments, estimates and assumptions

Financial statement preparation requires the Confederation to make judgments, estimates, and use assumptions affecting reported amounts of revenue, expenses, assets and liabilities, and the corresponding disclosures, as well as 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.

Judgments

In the application of the accounting policies, Management used the following judgment, apart from those involving estimates, that has an effect on the values recognized in the financial statements:

Allowance for losses in doubtful accounts

The Confederation recognize an allowance for losses in doubtful account of its affiliated based on the historical defaults of payment.

Useful life of furniture and equipment

The Confederation estimates useful life of each kind of property, furniture and equipment and intangibles to determine the depreciation expense recorded each year. The Confederation currently depreciates its assets based on their useful lives, which are calculated considering the expected operating and maintenance conditions.

Impairment of non-financial assets

The Confederation estimates that there are no indicators of impairment for any of its non-financial assets as of the reporting date. On an annual basis, and when it detects indications of impairment, the Confederation conducts an assessment of impairment for its non-financial assets. Other non-financial assets are also assessed for impairment when there are indications that the recorded values will not be recoverable.

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5. Future changes in accounting policies

Standards, interpretations and amendments issued but that have not entered into effect as of December 31, 2020, are described below.

The Confederation intends to adopt them, if applicable, when they become effective.

Standard	Description	Adoption date	Status and/or estimated effect
Amendments to IAS 1	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.	January 1, 2022	Under assessment; changes are not expected.

6. Balances in foreign currency

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

		<u>2020</u>	<u>2019</u>
<i>Assets:</i>			
Cash on hand and at banks	US\$	57,156	268,353
Accounts receivable from affiliates		229,049	228,389
Other accounts receivable		13,523	42,550
Total assets		<u>299,728</u>	<u>539,292</u>
<i>Liabilities:</i>			
Accounts payable to vendors and others		(10,304)	(62,158)
Accounts payable to affiliates and directors		(130,344)	(228,380)
Accruals and withholdings payable		-	(21,634)
Loans payable		(1)	(200,001)
Total liabilities		<u>(140,649)</u>	<u>(512,173)</u>
Net position in Dollars - asset	US\$	<u>159,079</u>	<u>27,119</u>

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7. Cash on hand and at banks

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

	<u>2020</u>	<u>2019</u>
Petty cash	10,000	10,000
Deposits in banks (a)	10,256,774	15,383,750
	<u>10,266,774</u>	<u>15,393,750</u>

- (a) As of December 31, 2020, this amount includes US\$57,156 (2019: US\$268,353) which relate to deposits in bank accounts at banks in the Dominican Republic. These accounts earn annual interest rates that range from 0.35% to 5% (2019: 0.35% to 5%) of the available balance.

As of December 31, 2020 and 2019, 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 in bank balances.

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8. Balances, transactions with affiliates and directors

The main transactions with affiliates and directors are economic contributions, payments and collection of affiliation fees and payments and collections of sporting event registration fees made and expenses covered by the directors on behalf of the Confederation.

Balances:

Below is a breakdown of accounts receivable from affiliates as of December 31:

	<u>2020</u>	<u>2019</u>
Federation Internationale de Volleyball (FIVB) (a)	49,357,500	40,965,000
Affiliated federations (b):		
Jamaica Volleyball Association	231,544	189,625
Federación Puertorriqueña de Voleibol	7,886,285	7,154,502
Barbados Volleyball Federation	24,406	1,058
Federación Costarricense de Voleibol	58,498	53,253
Federación Nacional de Voleibol de Guatemala	1,980,182	1,781,484
ST. Lucia Amateur Volleyball Association	-	45,493
Montserrat Volleyball Association	34,866	21,160
Federación Mexicana de Voleibol	127,842	351,647
Surinaamse Volleyball Bond	1,476,565	1,333,600
Comité Organizador Campeonato Clasificatorio Norceca Femenino Pre-Olímpico Tokyo 2020	-	5,399,525
Anquilla Amateur Volleyball Federation	11,622	-
Antigua & Barbuda Amateur Volleyball Association	11,622	-
Aruba Volleyball Association	11,622	-
St. Vincent Volleyball Association	11,622	-
Belize Volleyball Association	23,244	-
Trinidad & Tobago Volleyball Federation	23,244	-
Bonaire Volleyball Association	8,716	-
Turk and Caicos Volleyball Association	8,716	-
St. Eustatius Volleyball Association	8,716	-
Dutch St, Maarten Volleyball Association	8,717	-
French St, Martin Volleyball Association	8,717	-
British Virgen Island Amateur Volleyball	11,622	-
Netherlands Antilliane Volleyball	8,717	-
Dominica Amateur Volleyball Association	11,622	-
Grenada National Volleyball Association	11,622	-
Federación Hondureña de Voleibol	23,244	-
Federación Salvadoreña de Voleibol	23,244	-
Sub-total	<u>61,404,317</u>	<u>57,296,347</u>
Allowance for losses in doubtful accounts (c)	<u>(49,565,800)</u>	<u>(41,154,625)</u>
Total accounts receivable from affiliates	<u>11,838,517</u>	<u>16,141,722</u>

(a) The account receivable from the FIVB corresponds to CHF\$750,000 (Swiss Francs) equivalent to RD\$49,357,500 converted at an exchange rate of CHF\$65.81 per RD\$1 (2019: to RD\$40,965,000 converted at an exchange rate of CHF\$54.62 per RD\$1), and correspond to the economic contribution pending payment to the Confederation for 2016. During the year ended as of December 31, 2020 and 2019, no contributions for this concept were recognized.

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

(b) The balances receivable from the affiliated federations are derived from annual membership fees, rights for the concession of venues for the different championships held by the Confederation, team registration fees, promotion rights, fines for non-compliance with the championships' sports regulations, among others. These accounts are expressed in US Dollars and have no specific maturity, and are equivalent to US\$229,049 in 2020 (2019: US\$228,389).

(c) The movement of the allowance for losses in doubtful accounts for the years ended December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	(41,154,625)	(38,860,321)
Exchange rate effect on allowance for losses in doubtful accounts	<u>(8,411,175)</u>	<u>(2,294,304)</u>
Balance at year end	<u>(49,565,800)</u>	<u>(41,154,625)</u>

Below is a breakdown of the maturity of accounts receivable from affiliates as of December 31:

	<u>Not past due</u>	<u>Past due, not impaired</u>			<u>Impaired</u>	<u>Total</u>
		<u>Between 30 and 60 days</u>	<u>61 and 90 days</u>	<u>More than 90 days</u>	<u>More than 91 days</u>	
2020	<u>-</u>	<u>11,838,517</u>	<u>-</u>	<u>-</u>	<u>49,565,800</u>	<u>61,404,317</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>

Below is a breakdown of accounts payable to affiliates and directors as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Federation Internationale de Volleyball (FIVB) (d)	(2,521,283)	(2,231,389)
USA Volleyball (e)	(17,433)	(544,870)
Eastern Caribbean Volleyball Association, ECVA (f)	(8,426)	(7,671)
Canadá Volleyball Association (g)	(46,488)	(42,320)
Ligue Guadeloupenne de Volleyball (h)	(174,330)	(174,570)
Barbados Volleyball Federation (i)	(26,150)	(23,805)
Cristóbal Marte Hoffiz - Presidente de la Norceca (j)	-	(7,394,627)
Federación Mexicana de Voleibol (k)	(261,495)	(238,050)
Federación Dominicana de Voleibol (l)	(189,304)	(189,304)
Belize Volleyball Association (m)	-	(780,563)
St. Kitts Amateur Volleyball Federation (n)	-	(148,120)
Cayman Island Volleyball Federation (o)	-	(317,400)
Federación Cubana de Volleyball (p)	(3,383,205)	(136,128)

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

	<u>2020</u>	<u>2019</u>
Aruba Volleyball Association (q)	-	(31,210)
Bermuda Volleyball (r)	(348,660)	-
Federación Hondureña de Voleibol (s)	(755,430)	-
ST. Lucia Volleyball Association (t)	(19,757)	-
Bonaire Volleyball Association (u)	(11,622)	(10,580)
	<u>(7,763,583)</u>	<u>(12,270,607)</u>

- (d) As of December 31, 2020 and 2019, the following payments are included: a payment of 40% of the fee for international transfer of ITC athletes, Season 2012-2013, for US\$28,455, a payment of 10% of the fee for international transfer of female athletes FIVB ITC, Season 2014-2015 for US\$3,855, a payment of 10% fee for the international transfer of male athletes, season 2015-2016 for US\$9,457 equivalent to 10% or US\$945, a payment of a 10% fee for the international transfer of female athletes IVB ITC, Season 2015-2016, equal to US\$3,991, a payment of 10% of the fee for international transfer of male athletes, Season 2016 for US\$590 and 2020 affiliation for US\$5,550.
- (e) As of December 31, 2020, this amount corresponds to the registration fee of a team in the 5th stage beach volleyball circuit 2019 for US\$300. At December 31, 2019, also include the award for winning the Tour Norceca female and male branch 2018, for US\$10,000.
- (f) As of December 31, 2020 and 2019, this corresponds to US\$145 credit balance for the Eastern Caribbean Volleyball Association.
- (g) As of December 31, 2020 and 2019, this corresponds to the 33% of registration in the seventh stage of the 2016 Norceca tour for US\$800.
- (h) As of December 31, 2020, this corresponds to the percentage of teams registered in the 2nd round of the Classifying Tournament for the World Championship, Male Group N 2013, for US\$3,000.
- (i) As of December 31, 2020 and 2019, this corresponds to the balance pending payment for return of 50% of the referee payment in the U-21 Norceca Continental Volleyball Championship held in El Salvador for US\$450.
- (j) As of December 31, 2019, this corresponds to airplane tickets given to the National Federations to participate in different events, for US\$139,785 equivalent to RD\$7,394,626.
- (k) As of December 31, 2020 and 2019, this corresponds to the percentage of registrations collected in the 1st stage of the beach volleyball circuit in Aguascalientes, Mexico, US\$2,800 and to the payment of 50% of the registration in the first stage of the 2017 Norceca Beach Tour, held in Paz Baja California Sur, México, for \$1,700.

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

- (l) As of December 31, 2020 and 2019, corresponds to Trilogy Dominicana's sponsorship of the Pan American Volleyball Cup.
- (m) Economic Assistance Organization of the Central American Championship for Senior Women AFECAVOL for US\$8,500 and airplane 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.
- (n) Economic assistance for airline tickets for the participants of the 7th and 8th stage of the 2019 Norceca beach volleyball circuit in Bonaire and Boca Chica, Dominican Republic, equivalent to US\$2,800.
- (o) Economic assistance to reimburse expenses incurred in the development of the Norceca FIVB program, June-September 2019, for US\$6,000.
- (p) Corresponds to payment in excess of the total owed to Norceca as of December 31, 2020, equivalent to US\$58,221 (2019: US\$2,573).
- (q) Assistance for airplane tickets for the participants of the 7th stage of the 2019 Norceca beach volleyball circuit in Bonaire, for US\$590.
- (r) Economic assistance for the payment of travel expenses for volleyball trainers at the service of Bermudas Volleyball Association for US\$6,000.
- (s) Economic assistance for the payment of travel expenses of volleyball trainers at the service of the Federación Hondureña de Voleibol for US\$13,000.
- (t) Corresponds to a credit balance in 2020 for US\$340.
- (u) Corresponds to a % of the registration in the 7th Stage of the 2019 Norceca Tour for US\$200.

These accounts do not generate interest and are not subject to any discount for early payment.

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

Transactions:

In the years ended December 31, 2020 and 2019, transactions with affiliates and directors are listed below:

	<u>2020</u>	<u>2019</u>
Revenues:		
Economic contributions received	-	2,037,780
Events and activities	28,254,869	66,135,151
Affiliation fees	997,832	840,845
Other	10,756,509	15,590,709
	<u>40,009,210</u>	<u>84,604,485</u>
Expenses:		
Sport Equipment donated to federations	<u>2,872,779</u>	<u>27,688,562</u>
Economic contributions granted:		
Asociación de Federaciones Centroamericanas de Voleibol (AFECAVOL)	129,048	16,383,423
Asociación Zonal Caribeña de Voleibol (CAZOVA)	139,968	17,170,215
Eastern Caribbean Volleyball Association (ECVA)	290,550	7,880,127
North Central Americas Volleyball Association (NCVA)	-	9,496,795
Other economic assistance	<u>4,111,201</u>	<u>351,351</u>
	<u>4,670,767</u>	<u>51,281,911</u>
Other expenses:		
Rentals	979,182	979,182
Accommodations, travel expenses and snacks 2	243,303	461,053
Representation expenses	653,357	1,599,171
Airplane tickets	-	132,141
Coordination meetings - Executive Committee and Board Administration	<u>296,248</u>	<u>282,191</u>
	<u>2,172,090</u>	<u>3,453,738</u>
	<u>9,715,636</u>	<u>82,424,211</u>

The administrative facilities used by the Confederation to develop its activities have been provided by the Government of the Dominican Republic through the Dominican Volleyball Federation (FEDOVOLI), at no cost to Norceca.

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

Terms and conditions with affiliates and directors

The activities with affiliates and directors are conducted under the terms agreed by the parties. Balances pending at the annual close are not secured and do not accrue interest. No guarantees have been received or granted for any account receivable or payable to affiliates and directors, except as of December 31, 2020 and 2019, since the loan payable is jointly and severally guaranteed by the President of Norceca, Mr. Cristóbal Marte Hoffiz.

The President of the Confederation receives an annual assignment of US\$50,000, equivalent to RD\$2,905,500 (2019: US\$50,000 equivalent to RD\$2,645,000), as compensation for his duties. Additionally, he receives payment for expenses incurred during his role. During the year ended as of December 31, 2020, the stipend pending from 2019 and 2020 was fully paid off.

9. Other accounts receivable

The breakdown of other accounts receivable is as follows:

	<u>2020</u>	<u>2019</u>
Employees (a)	81,000	344,533
Other (b)	<u>2,049,031</u>	<u>3,358,531</u>
	<u>2,130,031</u>	<u>3,703,064</u>

(a) Corresponds to cash advances given to Confederation employees. These accounts receivable do not accrue interest and are recoverable in the functional currency of the Confederation.

(b) As of December 31, 2020, accounts receivable included, Molten Corporation for sports equipment not received. According to a contract for an amount of US\$280,000, US\$270,190 were received, with a difference receivable of US\$9,810 equivalent to RD\$570,059, Juvenal Collado for US\$100 equivalent to RD\$5,811, Hotel Lina RD\$79,200 corresponding to credit in favor for payment made for the accommodation of the XXV Congress of 2020 suspended by COVID-19, Federación Peruana de Voleibol US\$21,738 equivalent to RD\$1,263,213. As of December 31, 2019, accounts receivable were included, Molten Corporation for sports equipment not received according to the contract of US\$280,000, for US\$277,750 were received, with a difference receivable of US\$2,250, equivalent to RD\$119,025, transmission rights for Men's and Women's Pan American Cup, U-21 Men's Pan American Cup, and Norceca 2019 Men's and Women's Continental Championships for US\$39,500 for FLOSPORS, INC. equivalent to RD\$2,089,550.

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10. Sporting goods inventory

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

	<u>2020</u>	<u>2019</u>
<i>Molten supplies:</i>		
Balls	21,520,431	5,691,813
Nets	256,465	276,143
Carts for balls	490,441	490,441
Banners	193,056	193,056
Portfolios	411,937	411,937
Whistles for referees	128,553	128,553
Marking tape	382,074	382,074
Boards	14,568	14,568
Pumps to inflate balls	79,588	79,587
	<u>23,477,113</u>	<u>7,668,172</u>
<i>Mikasa supplies:</i>		
Balls	2,554,849	2,766,049
Nets	127,691	127,691
Antennae	138,082	138,082
Game line	67,625	67,625
Carts for balls	12,920	12,920
	<u>2,901,167</u>	<u>3,112,367</u>
<i>Jinling supplies</i>		
Referee support	1,140,032	1,140,032
Network system	340,070	340,070
Nets	257,155	257,155
Cushioning and vertical filling	155,688	155,688
Antennae	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	314,371
Antennae	17,064	17,064
Game line	62,203	62,203
	<u>393,638</u>	<u>393,638</u>
<i>Other</i>		
Doping kit:	54,846	54,846
Mizuno uniforms:	8,652,825	7,126,400
Beach court lines	179,355	181,542
Uniforms for referees	41,933	41,933
Gerflor floors	12,107,637	10,228,672
Tandem Antennae	446,469	-
	<u>21,483,065</u>	<u>17,633,393</u>
Sub-total	50,583,077	31,135,664
Allowance for inventory obsolescence (a)	(8,120,236)	(8,120,236)
Total sporting goods inventory	<u><u>42,462,841</u></u>	<u><u>23,015,428</u></u>

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10. Sporting goods inventory (continued)

(a) As of December 31, 2019, inventory adjustments were made related to the net realizable value of RD\$1,942,378.

11. Furniture and equipment

The movement of furniture and equipment during the years ended December 31, is shown below:

	Office furniture and equipment and other	Computer equipment	Electric plant	Total
Acquisition cost:				
Balances as of January 1, 2019	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	4,123,010	1,024,023	1,344,881	6,491,914
Additions	<u>27,415</u>	<u>16,500</u>	-	<u>43,915</u>
Balance as of December 31, 2020	<u>4,150,425</u>	<u>1,040,523</u>	<u>1,344,881</u>	<u>6,535,829</u>
Accumulated depreciation:				
Balances as of January 1, 2019	(3,290,558)	(1,002,928)	(722,873)	(5,016,359)
Depreciation expenses for the year	(267,819)	(85,237)	(201,732)	(554,788)
Disposals	<u>40,012</u>	<u>257,526</u>	-	<u>297,538</u>
Balances as of December 31, 2019	(3,518,365)	(830,639)	(924,605)	(5,273,609)
Depreciation expenses for the year	<u>(204,166)</u>	<u>(128,439)</u>	<u>(201,732)</u>	<u>(534,337)</u>
Balance as of December 31, 2020	<u>(3,722,531)</u>	<u>(959,078)</u>	<u>(1,126,337)</u>	<u>(5,807,946)</u>
Net carrying amount:				
As of December 31, 2020	<u><u>427,894</u></u>	<u><u>81,445</u></u>	<u><u>218,544</u></u>	<u><u>727,883</u></u>
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, 2020, the Confederation keeps using fully depreciated assets for approximately RD\$3,697,400 (2019: RD\$2,378,000).

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12. Sporting supplies received in exchange for advertising

On January 1, 2019, the Confederation renewed the contract with Molten Corporation for four (4) years, and it expires on December 31, 2022. Through this agreement the Confederation granted Molten the right to promote its sporting supplies at all of the Confederation's competitions and tournaments. In consideration, Molten Corporation will give the Confederation sporting supplies for approximately US\$280,000 in 2020 (2019: US\$280,000).

The value of the sporting supplies received from Molten in 2020 was approximately US\$280,000 equivalent to RD\$16,271,962 (2019: US\$277,750 equivalent to RD\$14,692,975). Likewise, Sport Court floors were received for US\$75,581 equivalent to RD\$4,070,037 (2019: US\$118,173 equivalent to RD\$6,251,352).

13. Loans payable

Loans payable correspond to a credit line payable short term, as shown below:

	<u>2020</u>	<u>2019</u>
This corresponds 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 30, 2019 was for US\$1,000,000. As of December 31, 2020, the amount used was US\$150,000 (2019: US\$200,000) and a 9% annual interest was caused. The interest is payable monthly until the date of maturity of this credit line.	<u>58</u>	<u>10,580,053</u>

The interest generated by the credit line in 2020 was US\$19,925 equivalent to RD\$1,125,402 (2019: US\$1,126 equivalent to RD\$57,166).

14. Accounts payable to vendors and others

Accounts payable to vendors and others do not bear interest and are not subject to discounts for early payment and are usually payable within 30 to 60 days from the date of receipt of the corresponding notes or invoices. As of December 31, 2020, they include US\$10,304 (2019: US\$62,158) which are payable in US dollars.

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15. Personnel expenses

The itemization of personnel expenses for the years ended December 31 was:

	<u>2020</u>	<u>2019</u>
Wages	5,203,080	6,922,104
Thirteenth month bonus	553,970	687,820
Vacation	468,246	493,429
Notice and severance	1,414,192	753,044
Staff support	901,696	981,906
Social Security	909,062	1,230,785
	<u>9,450,246</u>	<u>11,069,088</u>

16. Expenses for coordination meetings

The itemization of expenses for coordination meetings in the years ended December 31, is as follows:

	<u>2020</u>	<u>2019</u>
Meeting of the Executive Committee and Management Board (a)	228,329	282,191
FIVB Work Meetings (b)	67,919	623,052
Norceca Work Commissions (c)	-	299,994
AFECAVOL Meeting (d)	-	249,455
ECVA Meeting (d)	-	1,269,736
CAZOVA Meeting (d)	-	726,121
Other meetings	347,571	212,542
	<u>643,819</u>	<u>3,663,091</u>

- (a) As of December 31, 2020 and 2019, these correspond mainly to expenses incurred in accommodations, per diem, and purchase of materials for the participants of the Meeting of the Executive Committee and the Management Board in Santo Domingo.
- (b) These relate to expenses incurred in the purchase of airplane tickets, accommodations and per diem of the Confederation's executives at the annual meetings of the FIVB held in Switzerland.
- (c) These relate to expenses incurred in the purchase of airplane tickets, accommodations, and transportation of the members of the commissions participating in the Confederation's work meeting.
- (d) These relate to expenses incurred in the purchase of airplane tickets, accommodations, per diem and transportation of the Confederation's executives participating in the AFECAVOL, ECVA and CAZOVA meetings.

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17. Events and championships

The detail of the expenses of events and championships related to tickets, transportation, accommodations and per diem incurred by the Control Committees and representatives of the Confederation in the different events, tournaments and competitions held during the years ended on December 31, is as follows:

	<u>2020</u>	<u>2019</u>
Women's Pan-American Volleyball Cup	-	220,259
Men's Pan-American Volleyball Cup	-	760,500
Norceca Adult Female Continental Championship	-	280,631
Norceca Adult Male Continental Championship	-	155,431
Norceca XIII (XII) Continental Beach Volleyball Circuit	-	105,800
Qualifying Tournament to Women's Championship Cup	-	87,928
Qualifying Tournament to Men's Championship Cup	-	87,531
Men's Sub-21 Pan-American Cup	-	72,719
Women's Sub-20 Pan-American Cup	-	65,057
Women's Sub-18 Pan-American Cup	-	7,605
Men's Sub-19 Pan-American Cup	-	81,365
Bases for training, exchanges and practice rounds	-	847,438
Prizes and incentives	-	529,000
Classification Tournament for the Pan American games in Lima, Peru	-	50,206
Pan American Games	-	775,803
	<u>-</u>	<u>4,127,273</u>

18. Regional Volleyball Development Centers

As of December 31, 2020 and 2019, these correspond to expenses incurred in the organization and presentation of courses and seminars through the FIVB Regional Volleyball Development Centers, Dominican Republic for RD\$439,725. As of December 31, 2019, this corresponds to the organization and presentation of courses and seminars, as well as the purchase of airplane tickets, accommodation, per diem and other travel expenses for trainers or speakers (2019: RD\$2,888,866).

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19. Other expenses

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

	<u>2020</u>	<u>2019</u>
Building maintenance	144,209	218,970
Doping control	285,757	1,836,280
Rentals (a)	979,182	979,182
Transportation, fuel and lubricants	307,946	537,929
Bank charges	290,980	585,293
Other	3,619,896	3,781,593
	<u>5,627,970</u>	<u>7,939,247</u>

(a) During the years ended as of December 31, 2020 and 2019, these correspond to the rental of three spaces where the Confederation stores sports supplies and equipment. It also includes the rental of the apartment for Norceca's instructors.

20. Objectives and policies for financial risk management

Financial risk management

In the ordinary course of activity, the Confederation is exposed to liquidity risk, foreign currency risk, credit risk and interest rate risk. The Confederation's policies to manage these risks are described below:

Liquidity risk

The maturity of financial liabilities based on undiscounted contractual cash flows is as follows:

	<u>2020</u>			
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>Total</u>
Accounts payable to vendors and others	771,165	-	-	771,165
Accounts payable to affiliates and directors	-	-	7,763,583	7,763,583
Loans payable	-	58	-	58
	<u>771,165</u>	<u>58</u>	<u>7,763,583</u>	<u>8,534,806</u>
	<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 vendors 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>

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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 the exchange rates of foreign currency over its financial position and cash flows. Management sets limits on the exposure levels by currency and the total of daily activities, which are properly monitored. The monetary position in foreign currency is presented in Note 6.

The following table presents the possible sensitivity to changes in the relation between foreign currencies and the Dominican Peso of the Confederation's activities (due to changes in the fair value of monetary assets and liabilities), considering that the other variables remain constant:

	Increase (Decrease) in the US\$ exchange	Effect on change in net assets
2020	+5%	462,204
	-5%	<u>(462,204)</u>
2019	+5%	71,730
	-5%	<u>(71,730)</u>

Credit risk

The Confederation's accounts receivable originate from fees and participation rights related to the events of the affiliated federations. The maximum exposure to credit risk is represented by the balance of each financial asset.

It is considered that there is no additional credit risk in accounts receivable since an allowance for doubtful accounts is created when the recovery of the total invoiced amount is not likely or there are delays in payments. The Confederation conducts important activities with related parties. Management has assessed that the balances with these related parties are fully recoverable, except for those balances that are included as part of the allowance for doubtful accounts. Additionally, balances receivable are permanently supervised so that the Confederation's exposure to doubtful accounts is not significant.

Regarding credit risk of other financial assets, which comprise cash at banks, the maximum exposure of the Confederation to default by the counterparty would correspond to the carrying value of said assets. To mitigate this risk, the Confederation only conducts transactions with financial entities that have a recognized solvency.

Interest rate risk

The Confederation's operating incomes and cash flows are substantially independent from changes in market interest rates. As of December 31, 2020 and 2019, the Confederation has contracted liabilities that bear market interest rates.

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21. Fair values

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

22. Changes in liabilities from financing activities

	2020				December 31, 2020
	January 1, 2020	From new financial liabilities	Payments made	Interest paid and others	
Loans payable	<u>10,580,053</u>	<u>8,057,005</u>	<u>(17,511,598)</u>	<u>(1,125,402)</u>	<u>58</u>

	2019				December 31, 2019
	January 1, 2019	From new financial liabilities	Payments made	Interest paid and others	
Loans payable	<u>50</u>	<u>15,628,003</u>	<u>(4,990,834)</u>	<u>(57,166)</u>	<u>10,580,053</u>

23. Relevant events

The COVID-19 pandemic has considerably affected the world's economic activity, and has produced a drop in economic activity in the Dominican Republic, where it began in March 2020, and it still has effects as of December 31, 2020, caused by the restrictions set by the Dominican government to prevent contagion.

The magnitude and duration of the COVID-19 pandemic is unknown at this time and could have material and adverse effects on our results of activities, financial condition and cash flows in future periods. Management is performing the proper procedures to face the situation and minimize its impact.