

Report of the auditors on the annual audit for the 2020 financial year

On April 9, 2021, the annual financial statement of the fiscal year 2020 running from 1.1.2020 to 31.12.2020 as well as the underlying accounting documents and corresponding receipts (selectively) were audited by the elected auditors Silke Kippenberg, who worked in the office of the JGHV in Triftstr.22, 37327 Leinefelde-Worbis, as well as by Dörte Thomsen and Stefan Rahner via video conference because of the Covid-19 restrictions; this procedure (a deviation from the obligation to have 2 auditors present on site according to § 16 of the bylaws of the JGHV) was approved in advance due to the prevailing pandemic restrictions by the Legal Advisor Mr. Christian Fleischmann at the suggestion of the Business Manager, Mr. Jan Schafberg. The report on the fiscal year is consistent with the account and accounting records for that period submitted by the Business Manager.

The audit was carried out in accordance with § 16 of the current bylaws of the JGHV with regard to a legally compliant, statutory and economic use of funds and the factually and mathematically correct and complete accounting of the individual business transactions.

The account balances reported in the cash report for the reporting dates were verified against bank records and determined to be correct.

The Business Office is certified as maintaining clear accounting records that comply with the bylaws and applicable laws. The budget targets as presented to the Annual General Meeting on March 22, 2020, which was cancelled due to the first Corona lockdown, were fortunately surpassed by approximately € 90,000 in terms of income and overrun by only approximately € 3,500 in terms of expenses, so that the surplus planned in the budget increased from € 6,400 to a total of € 92,500.

The income and expenditure account was no longer kept on a net basis; in this respect, the concerns expressed by the auditors in recent years were taken into account.

Based on the auditors' comments, net accounting was changed to accounting separated into income and expenses. Accounts that are to be allocated to the special-purpose operations of the JGHV were reviewed with regard to the sales tax liability in consultation with a tax office for the year 2019. At the request of the tax office, sales tax returns were prepared retroactively from the assessment period 2013 and submitted to the tax office Mühlhausen. This resulted in a refund from the tax office of around € 17,000.

Due to the changeover in accounting, the individual figures of the draft budget of March 22, 2020, which are determined on a net basis, are not always comparable with the figures of the annual financial statements, which are not netted. The shortfall in planned costs can be explained by the fact that not all projects initiated by the Executive Board have progressed to a point that they will have an impact on expenditures to the extent planned already in 2020. Specifically, these include personnel costs, the upgrading of IT systems and the website, and the costs of the major trade fairs and conferences, some of which were cancelled and involved the physical presence of participants; the remaining deviations are the result of minor underruns of the estimates made in the budget and higher income.

In this respect, the annual financial statements give a true and fair view of the financial position of the JGHV; several fixed-term investments were reconstituted in 2020 in order to minimize the investment risk on holdings in excess of the maximum amount of the legal deposit insurance. Specifically, these are €200,000 with R + V *Lebensversicherung* (secured by the statutory security fund pursuant to sections 221 et seq. Insurance Supervision Act) and €100,000 in

savings accounts at Volksbank Mitte (secured by the Deposit Protection Act). However, a review of the monthly balances showed that the account at the Volksbank was still overdrawn at times. It is therefore urgently recommended that additional accounts be set up to handle current business and that the credit balances be split. The credit balance at Volksbank-Mitte - Leinefelde is currently only protected up to an amount of €100,000 by the deposit protection guarantee provided there and is therefore invested in a gilt-edged manner in accordance with the provisions of section 19 of the bylaws. The amount exceeding this of up to €400,000, on the other hand, is not secured and, contrary to the provisions of section 19 of the bylaws, is not invested safely. We hereby expressly warn against the associated risk in the event of the Volksbank becoming insolvent.

The following items / issues were subjected to a detailed test:

The proposed additional staffing of the Business Office and the *Stammbuchamt* was addressed in the persons of Ms. Ohse and Ms. Schwarzer; as further support in the *Stammbuchamt*, Ms. Israel was hired as a half-time employee.

Studbook Commission/*Stammbuchkommission* costs decreased to €1,675 because the Commission was only able to meet once due to the pandemic restrictions in February 2020.

The payroll accounting prepared by RUB was spot-checked for individual months.

The costs of IT maintenance and servicing (# 5660 ff) by the firm Schmidt were examined in detail; the hourly rates are very moderate; the expenditure is justified in every respect. The invoices of the firm TriniDat were inspected; they concern an IT implementation plan for the *Stammbuchamt*. Invoices from Mr. Ferdinand Walch were also examined.

The invoices of the acquired inventory items were reviewed. Here, too, inventory accounting with recognition of business depreciation periods would have to be examined.

The Maritim Hotel's cancellation costs were reviewed by the legal counsel for their admissibility. The payment was made based on a compromise agreement that was agreed upon. The existing contract was adjusted, a repetition of cancellation fees is thus excluded.

The costs for exhibitions and trade fairs were significantly below the budget of € 25,000 because most of the trade fairs were cancelled.

The expense claims incurred were reviewed and their total amount is quite reasonable; the daily rate of €65.00 was confirmed at the 2019 Annual General Meeting.

In line with the figures mentioned above, the account balance of the JGHV at the end of 2020 is close to € 447,000 due to the surplus achieved of about € 92,500, which as a free or appropriated reserve for a non-profit association is still acceptable from a tax point of view given an annual expenditure of about € 350,000.

On behalf of all member clubs, the auditors thank Mr. Schafberg for the work he has done and propose that he be discharged for the 2020 financial year.

Leinefelde-Worbis, April 9, 2021

Silke Kippenberg

Dörte Thomsen

Stefan Rahner