
International Triathlon Union

Lausanne

***Report of the auditor
to the Executive Committee***

***on the financial statements
2018***





Report of the auditor

to the Executive Committee of International Triathlon Union

Lausanne

On your instructions, we have audited the financial statements of International Triathlon Union, which comprise the balance sheet, income statement, cash flow statement and notes, for the year ended 31 December 2018.

Executive Committee's responsibility

The Executive Committee is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Executive Committee is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law.

PricewaterhouseCoopers SA

Philippe Tzaud
Audit expert

Nicolas Daehler
Audit expert

Lausanne, 29 May 2019

Enclosure:

- Financial statements (balance sheet, income statement, cash flow statement and notes)



Financial Statements

Company	International Triathlon Union
Financial year	2018
Closing date	31.12.2018

**Combined Balance sheet for the year ended
31 December 2018
(in USD)**

Assets	2018	2017
Current assets		
Cash and cash equivalents	7'359'565	9'825'713
Short-term investments with a quoted market price	4'711'478	5'012'483
Trade receivables	704'921	740'734
Other current receivables	2'548	6'188
Accrued income and prepaid expenses	67'217	98'029
Total current assets	12'845'729	15'683'147
Non-current assets		
Financial assets		
Loans to Affiliated entities	-	192'385
Investments	1'690	1'690
Fixed assets	199'770	401'005
Total Non-current assets	201'460	595'080
Total assets	13'047'189	16'278'227
Liabilities	2018	2017
Short-term liabilities		
Trade payables	645'232	542'735
Other short-term liabilities	149'827	329'857
Accrued expenses and deferred income	82'860	115'160
Short-term provisions	659'954	312'385
Total short-term liabilities	1'537'873	1'300'137
Allocated Funds		
IOC Contribution Fund	7'042'369	10'858'036
Total Allocated Funds	7'042'369	10'858'036
Unallocated Funds		
Cumulated surplus of revenue over expenses	4'120'054	2'959'255
Profit for the year	346'893	1'160'799
Total Unallocated Funds	4'466'947	4'120'054
Total Liabilities and Funds	13'047'189	16'278'227



**Combined Profit and loss statement for the year ended
31 December 2018
(in USD)**

	2018	2017
Revenue		
Revenue from IOC	3'815'667	3'411'012
Sponsorships	1'042'100	867'000
Television and event fees	2'180'519	2'219'170
Grants and contributions	182'385	96'238
Prize money received	410'000	460'000
Affiliation fees	32'362	29'986
Other Income	372'414	343'274
	8'035'447	7'426'680
Expenses		
Administrative expenses	-276'079	-248'427
Depreciation of capital assets	-14'895	-12'819
Anti-doping related expenses	-331'938	-291'633
Bad debt	-110'000	-533'495
Committee	-41'369	-73'966
Competitions and Events	-2'102'047	-1'998'602
Development	-1'162'607	-1'004'627
Executive Board	-239'755	-171'706
Legal and Accounting	-32'256	-40'735
Media and Television	-915'295	-731'924
Olympic Games expenses	-150'000	-
President's Honorarium	-205'415	-193'524
Marketing	-350'699	-
Salaries	-1'781'689	-1'610'187
	-7'714'044	-6'911'645
Earnings before Non-operating activities	321'403	515'035
Financial income & change in fair-value of marketable securities	-250'589	678'217
Financial expenses	-139'012	-32'453
Gain on disposition of Fixed assets	415'091	-
	25'490	645'764
Profit for the year	346'893	1'160'800



**Combined statement of cash flows for the year ended
31 December 2018
(in USD)**

	2018	2017
Cash from operating activities		
Profit for the year	346'893	1'160'799
Items not involving cash		
Depreciation	14'895	12'819
Gain on dispositions / other non-cash items	-416'005	1'693
Bad debt expense	110'000	533'495
	55'783	1'708'806
Change in non-cash operating working capital		
Accounts receivable	-74'187	-550'306
Loans receivable	192'385	101'770
Other current receivables	3'640	8'477
Accrued income and Prepaid expenses	30'812	7'886
Accounts payable and accrued liabilities	-77'533	-938'242
Short-term provisions	347'569	151'605
IOC Contribution Fund & other Deferred revenue	-3'847'967	-1'845'848
	-3'369'498	-1'355'852
Cash from investing activities		
Purchase of Fixed assets	-13'981	-22'950
Disposal of Fixed assets	201'235	-
Gain on disposition of Fixed assets	415'091	-
	602'345	-22'950
Decrease in cash and cash equivalents	-2'767'153	-1'378'802
Cash and cash equivalents and short term investments with a quoted price - Beginning of year	14'838'196	16'216'998
Cash and cash equivalents and short term investments with a quoted price - End of year	12'071'043	14'838'196

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2018 (expressed in USD)

1 Purpose of the organization

The Organization's purpose is to develop, promote and generally advance the world-wide sport of Triathlon, Duathlon and its other related multi-sports.

2 Principles of combination

These combined financial statements have been prepared from the financial statements of International Triathlon Union and other contractually related entities. All balances and transactions between these entities have been eliminated. Entities included in the combined financial statements for the year ended 31 December 2017 and 2018 for the organization are summarized as follows :

ITU office of Vancouver
ITU office of Madrid
ITU Headquarters of Lausanne

3 Significant accounting policies

The International Triathlon Union (the Organization) is a not for profit association governed by the provisions of the Swiss Civil Code. These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO). The significant accounting policies are summarized below:

3.1 Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are initially deferred and recognized as revenue when the related expenses are incurred or the restrictions have been met.

Revenue for services provided is recorded when earned and collection is reasonably assured. Sponsorship revenue is recorded in the period the amounts relate to or the sponsorship requirements are met.

The contribution received every four years from the International Olympic Committee (IOC) is based on a formula determined by the IOC for sharing television rights revenue from the Olympic Games. This contribution is unrestricted.

3.2 Cash and cash equivalents and short term investments

Cash and cash equivalents consist of cash and highly liquid investments with terms to maturity of three months or less at the date of acquisition, such as a money market fund.

3.3 Deferred revenue

Deferred revenue represents advance receipt of sponsorship revenue, event and affiliation fees. The revenue from event and affiliation fees is recognized in the year in which the event is held or to which the fees relate. Sponsorship revenue is restricted for specific use and is recognized in the year the related expenses are incurred, as required under the agreement. In 2016, the year of the RIO Olympics, it was decided to defer the IOC contribution funds over a 4 year cycle.

3.4 Fixed assets

Land and building comprise a strata title in a multi-unit commercial complex. Fixed assets are recorded at cost. Betterments that extend or enhance the estimated life or service potential of an asset are capitalized. When a capitalized asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Fixed assets are amortized on a straight-line basis over the following periods:

Building	30 years
Furniture and fixtures	5 years
Computer and TV equipment	3 years

Notes to combined Financial Statements for the year ended December 31, 2018
(expressed in USD)

3.5 Contributed services

A number of volunteers contribute a significant amount of time to the Organization each year. The value of certain services donated to the Organization by its members and others is not recognized or disclosed in the financial statements and related notes due to the difficulty of determining the fair value.

3.6 Foreign currency

Monetary assets and liabilities denominated in other than US dollars are translated at the rate in effect at the date of the balance sheet. Transactions in currencies other than US dollars are translated at the rate in effect at the transaction date. Gains and losses resulting from fluctuations in the exchange rate associated with these transactions are recorded in the period they arise. Non-monetary assets are recorded at the historical rate of exchange in effect at the date of acquisition.

3.7 Use of estimates

The preparation of combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include valuation of accounts receivable and the determination of the useful lives of capital assets for purposes of amortization. Actual results may ultimately differ from those estimates.

4 Declaration to the fact that the number of full-time equivalents, averaged over the year, did not exceed 10, 50 or 250

The number of full-time equivalents did not exceed 50 on an annual average basis.

5 Short-term investments and Other financial assets

In October 2017, the Fixed Rate investment was redeemed and re-invested in a Variable Rate Investment. Short-term investments of USD 5,012,483 consist of mutual funds, denominated in US dollars, held with a Canadian chartered bank. The mutual funds comprise a US dollar managed income portfolio that is focused on maximizing interest income while attempting to preserve capital.

6 Fixed assets

	2018			2017		
	Cost	Depreciation	Net	Cost	Depreciation	Net
	USD	USD	USD	USD	USD	USD
Land	140'431	-	140'431	298'580	-	298'580
Building	66'085	30'473	35'612	140'109	60'106	80'003
Furniture and fixtures	23'084	20'574	2'510	20'396	20'216	180
Computer equipment	116'129	94'913	21'216	105'735	83'493	22'242
TV equipment	67'444	67'444	-	67'843	67'843	-
	<u>413'173</u>	<u>213'404</u>	<u>199'769</u>	<u>632'663</u>	<u>231'658</u>	<u>401'005</u>

In February of 2018, Unit 221 of the ITU Vancouver office was sold for USD 615,414 (less fees of USD 21,578). Associated fixed asset value netted out.

7 Allocated Funds - IOC Contribution Fund

	2018	2017
Balance at January 1st	10'858'036	12'625'000
Funds received from IOC during the year	-	1'644'048
Revenue recognised	<u>-3'815'667</u>	<u>-3'411'012</u>
Balance at December 31st	<u>7'042'369</u>	<u>10'858'036</u>

USD 13,500,000 was received from the IOC in 2016 related to the 2016 RIO Olympics. In 2017 a third instalment of 1,644,048 USD was received.

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2018 (expressed in USD)

8 Financial instruments

Foreign currency risk

The Organization faces foreign currency risk on its cash and cash equivalents and Other financial assets denominated in currencies other than US dollars. These foreign currency balances are as follows:

	<u>2018</u>	<u>2017</u>
	USD	USD
Canadian dollars	37'330	31'883
Euros	171'840	3'456'710
Swiss francs	1'200'087	12'415
	<u>1'409'257</u>	<u>3'501'008</u>

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises primarily on interest-bearing financial instruments held in the mutual funds account. The Organization does not use derivative financial instruments to manage the effects of this risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Organization cannot meet the demand for cash or fund its obligations as they become due. Management minimizes its exposure to liquidity risk by regularly monitoring cash flows. The Organization is not exposed to significant liquidity risk.

9 Investment in World Triathlon Stockholm AB and loans receivable

The Organization purchased a 11% interest in a newly formed entity, World Triathlon Stockholm AB (WTS) in 2012 for 11,000 SEK (USD 1,690). The Organization has a minority position and does not have a significant influence and as a result, the investment is recorded at cost. As part of this agreement, the Organization is committed to fund their proportionate share of the initial losses incurred by WTS.

The Swedish Triathlon Federation (STF) is a 34% shareholder of WTS AB. The Organization has signed loan agreements to fund 45% of STF's proportionate contribution to the losses incurred by WTS. The loan had a value of 192'385 USD as of December 31st, 2017.

Due to the status of the entity, ITU has included a provision for the totality of the loan as being a non-recoverable financial asset in 2017. It is the entity's best estimate, that ITU will be unlikely to recover the loan that was granted in 2012.

In 2018, ITU withdraw the loan from his financial statements since there was no indication that a recovery of the principal was probable.

10 Commitments

Lease payments - Lausanne

The Organization is committed to making minimum annual rental payments for their leased premise in Lausanne, Switzerland. The lease payments are as follows:

	<u>2018</u>	<u>2017</u>
	USD	USD
Lease payments - Lausanne	38'496	39'001

Commitments are in Swiss francs; however, the table presents the commitments in US dollar equivalents at the December 31, 2018 year-end date.

Agreement with World Triathlon Corporation

The Organization has an ongoing agreement with World Triathlon Corporation until 2020. The World Triathlon Corporation acquired the agreement from Lagadere Unlimited in April 2016. According to the agreement a minimum of seven events should comprise the ITU Triathlon World Series (WTS), under the governance of the Organization. Under the terms of the agreement, World Triathlon Corporation has the right and the obligation to organise a maximum of five WTS events as well as to manage the marketing of certain WTS international contractual TV rights.

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2018 (expressed in USD)

11 Conversion rate

The following exchange rates have been used in order to convert the combined financial statements from USD to CHF :

2017: 0.9749

2018: 0.9877

12 Risk Assessment

The Executive Board has periodically carried out reasonable risk assessments and introduced any resulting measures in order to guarantee that the risk of material misstatement in the accounts can be classified as low.

13 Deviations from the principle of consistency in presentation

Certain prior year balances have been reclassified in order to conform with the presentation of the current year. In accordance with Swiss Code of Obligations, financial income and expenses have been presented separately from the operational result.

**Combined Balance sheet for the year ended
31 December 2018
(in CHF)**

Assets	2018	2017
Current assets		
Cash and cash equivalents	7'269'042	9'579'088
Short-term investments with a quoted market price	4'653'527	4'886'670
Trade receivables	696'251	722'142
Other current receivables	2'517	6'032
Accrued income and prepaid expenses	66'390	95'568
Total current assets	12'687'727	15'289'500
Non-current assets		
Financial assets		
Loans to affiliated entities	-	187'556
Investments	1'669	1'648
Fixed assets	197'313	390'940
Total Non-current assets	198'982	580'144
Total assets	12'886'709	15'869'644
Liabilities	2018	2017
Short-term liabilities		
Trade payables	637'296	529'112
Other short-term liabilities	147'984	321'578
Accrued expenses and deferred income	81'841	112'270
Short-term provisions	651'837	304'544
Total short-term liabilities	1'518'958	1'267'504
Allocated Funds		
IOC Contribution Fund	6'955'748	10'585'499
Total Allocated Funds	6'955'748	10'585'499
Unallocated Funds		
Cumulated surplus of revenue over expenses	2'770'761	1'639'097
Profit for the year	342'627	1'131'664
Translation adjustement	1'298'615	1'245'880
Total unallocated funds	4'412'003	4'016'641
Total liabilities and Funds	12'886'709	15'869'644

**Combined Profit and loss statement for the year ended 31
December 2018
(in CHF)**

	2018	2017
Revenue		
Revenue from IOC	3'768'734	3'325'396
Sponsorships	1'029'282	1'088'963
Television and event fees	2'153'699	2'163'470
Grants and contributions	180'142	93'823
Prize money received	404'957	448'454
Affiliation fees	31'964	29'233
Other Income	367'833	90'933
	7'936'611	7'240'272
Expenses		
Administrative expenses	-272'683	-242'192
Amortization of capital assets	-14'712	-12'497
Anti-doping related expenses	-327'855	-284'313
Bad debt	-108'647	-520'104
Committee	-40'860	-72'109
Competitions and Events	-2'076'192	-1'948'438
Development	-1'148'307	-979'411
Executive Board	-236'806	-167'396
Legal and Accounting	-31'859	-39'713
Media and Television	-904'037	-713'552
Olympic Games expenses	-148'155	-
President's Honoarium	-202'888	-188'666
Marketing	-346'385	-
Salaries	-1'759'774	-1'569'771
	-7'619'160	-6'738'162
Earnings before Non-operating activities	317'451	502'110
Financial income & change in faire-value of marketable securities	-247'507	661'193
Financial expenses	-137'302	-31'639
Gain on disposition of Fixed assets	409'985	-
	25'176	629'554
Profit for the year	342'627	1'131'664