



***International Triathlon Union
Lausanne***

***Report of the statutory auditor
to the General Meeting
on the combined financial statements 2014***



Report of the statutory auditor
to the General Meeting of
International Triathlon Union
Lausanne

Report of the statutory auditor on the combined financial statements

As statutory auditor, we have audited the accompanying combined financial statements of International Triathlon Union, which comprise the combined balance sheet, income statement, statement of changes in Net Assets, statement of cash flows and notes, for the year ended 31 December 2014.

Board's responsibility

The Board is responsible for the preparation of the combined financial statements in accordance with the requirements of Swiss law and the association's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error. The Board 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 combined financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 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 combined 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 combined financial statements for the year ended 31 December 2014 comply with Swiss law and the association's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b paragraph 3 CC in connection with article 728 CO) and that there are no circumstances incompatible with our independence.



In accordance with article 69b paragraph 3 CC in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of combined financial statements according to the instructions of the Association Board.

We recommend that the combined financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Marc Ausoni
Audit expert
Auditor in charge

Lionel Gross
Audit expert

Lausanne, 17 July 2015

Enclosure:

- Combined financial statements (combined balance sheet, income statement, statement of changes in Net Assets, statement of cash flows and notes)

International Triathlon Union

Combined Balance sheet as at 31 December (in USD)

Assets	Note	2014	2013
Current assets			
Cash and cash equivalents		553'707	1'127'530
Short-term investments with a quoted market price	Note 4	5'800'000	9'250'000
Trade receivables due from third parties		1'845'998	1'054'757
Other current receivables due from third parties		76'101	-
Accrued income and prepaid expenses		92'749	84'649
Total current assets		8'368'555	11'516'936
Non-current assets			
Financial assets			
Loans to group companies	Note 8	256'315	243'753
Other financial assets	Note 4	390'561	769'580
Investments	Note 8	1'690	1'690
Property, plant and equipment	Note 5	426'484	437'883
Total non-current assets		1'075'050	1'452'906
Total assets		9'443'605	12'969'842

Liabilities	Note	2014	2013
Short-term liabilities			
Trade payables due from third parties		284'922	584'523
Other short-term liabilities due from third parties		142'779	111'230
Accrued expenses and deferred income	Note 6	7'500	23'500
Short-term provisions		26'769	-
Total short-term liabilities		461'970	719'253
Long-term liabilities			
Long-term provisions		520'000	270'000
Total long-term liabilities		520'000	270'000
Total liabilities		981'970	989'253
Net asset			
Invested in capital assets		426'484	437'883
Cumulated surplus of revenue over expenses		8'035'151	11'542'707
Total shareholders' equity		8'461'635	11'980'590
Total liabilities		9'443'605	12'969'842

International Triathlon Union

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

	2014	2013
Revenue		
Olympic games	-	1'354'024
Sponsorships	2'053'042	2'053'391
Television and event fees	743'000	776'169
Grants and contributions	172'786	89'112
Affiliation fees	28'500	26'989
Video and photo sales	325	863
	2'997'653	4'300'548
Expenses		
Administrative expenses	-325'120	-445'312
Amortization of capital assets	-25'935	-40'063
Anti-doping related expenses	-240'482	-224'351
Bad debt	-10'000	-387'883
Committee	-87'935	-34'177
Competitions and Events	-1'769'835	-1'705'270
Development	-1'057'505	-1'029'394
Dues and Subscriptions	-5'997	-10'343
Executive Board	-155'874	-177'980
Legal and Accounting	-77'506	-181'576
Media and Television	-527'750	-389'601
Olympic Games expenses	-69'897	-
President's Honoarium	-193'382	-140'231
Salaries	-1'744'434	-1'745'785
Website	-64'357	-106'122
	-6'356'009	-6'618'088
Earnings before interest	-3'358'356	-2'317'540
Financial income	160'194	69'054
Financial expenses	-320'792	-26'738
Non-operating income	-	81'541
Loss for the year/period	-3'518'955	-2'193'683

International Triathlon Union

Combined statement of changes in Net Assets for the year ended December 31 (in USD)

			2014	2013
	Invested capital assets	Unrestricted	Total	Total
Balance - Beginning of year	437'883	11'542'707	11'980'590	14'174'273
(Deficiency) surplus of revenue over expenses for the year	-25'935	-3'493'020	-3'518'955	-2'193'683
Invested in capital assets	14'536	-14'536	-	-
Balance - End of year	426'484	8'035'151	8'461'635	11'980'590

International Triathlon Union

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

	2014	2013
Cash from operating activities		
(Deficiency) surplus of revenue over expenses for the year	-3'518'955	-2'193'683
Items not involving cash		
Amortization of capital assets	25'935	40'063
Bad debt expense	10'000	387'883
	<u>-3'483'020</u>	<u>-1'765'737</u>
Change in non-cash operating working capital		
Accounts receivable	-801'241	-1'167'903
Loans receivable	-12'562	-112'041
Other current receivables	-76'101	0
Prepaid expenses and deposits	-8'100	-3'843
Account payable and accrued liabilities	-18'051	667'834
Short-term provisions	26'769	0
Deferred revenue	-16'000	16'000
	<u>-4'388'307</u>	<u>-2'365'690</u>
Cash from investing activities		
Purchase of capital assets	-14'536	-16'335
Purchase of investments	379'019	89'172
Proceeds from maturity of short-term investments	3'450'000	2'180'774
	<u>3'814'483</u>	<u>2'253'611</u>
(Decrease) increase in cash and cash equivalents	<u>-573'824</u>	<u>-112'079</u>
Cash and cash equivalents - Beginning of year	<u>1'127'530</u>	<u>1'239'610</u>
Cash and cash equivalents - End of year	<u>553'707</u>	<u>1'127'530</u>

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2014 (expressed in USD and CHF equivalent)

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 2013 and 2014 for the organization are summarized as follows :

ITU office of Vancouver

ITU office of Madrid

ITU headquarter in 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.

The significant accounting policies are summarized below:

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. In 2013, the Organization received USD 1,354,024 (CHF 1'205'352) in addition to USD 14,020,985 (CHF 12'805'366) received in 2012 from the IOC related to the London Olympics.

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.

**Notes to combined Financial Statements for the year ended December 31, 2014
(expressed in USD and CHF equivalent)**

Other financial assets

Other financial assets are recorded at fair value based on quoted market price.

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.

Property, Plant and equipment

Land and building comprise a strata title in a multi-unit commercial complex. Property, Plant and equipment 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.

Property, Plant and equipment 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

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.

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.

Notes to combined Financial Statements for the year ended December 31, 2014
(expressed in USD and CHF equivalent)

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.

Financial instruments

Cash and cash equivalents and Other financial assets are measured at fair value.

4 Short-term investments and Other financial assets

Short-term investments of USD 5,800,000 (CHF 5,738,520) 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.

Other financial assets of USD 390,561 (CHF 386,421) consists of long-term bonds, denominated in Swiss francs, held with UBS Switzerland. The bonds are in institutions based in Switzerland.

5 Property, Plant and Equipment

	2014						2013	
	Cost		Accumulated amortization		Net		Net	
	USD	CHF	USD	CHF	USD	CHF	USD	CHF
Land	298'580	295'415	-	-	298'580	295'415	298'580	265'796
Building	140'508	139'019	46'055	45'567	94'453	93'452	99'136	88'251
Furniture and fixtures	20'216	20'002	15'492	15'328	4'724	4'674	7'897	7'030
Computer equipment	76'943	76'127	56'323	55'726	20'620	20'401	17'291	15'392
TV equipment	64'285	63'604	56'178	55'583	8'107	8'021	14'979	13'334
	600'532	594'166	174'048	172'203	426'484	421'963	437'883	389'803

6 Deferred revenue

Deferred revenue consists of USD 7,500 (CHF 7,420) in advance event fees.

Notes to combined Financial Statements for the year ended December 31, 2014
(expressed in USD and CHF equivalent)

7 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:

	2014	2013
	USD	USD
Canadian dollars (CA\$21,899; 2013 - CA\$46,070)	18'849	43'371
Euros (€155,141; 2013 - €524,601)	192'463	722'262
Swiss francs (CHF 528,616 ; 2013 - CHF 696,737)	534'802	793'713
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	746'114	1'559'346

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.

8 Investment in World Triathlon Stockholm AB and loans receivable

The Organization purchased an 11% interest in a newly formed entity, World Triathlon Stockholm AB (WTS) in 2012 for 11,000 SEK (USD 1,690 / CHF 1,672). 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 Organization loaned SEK 27,500 (USD 3,740 / CHF 3,700) to WTS for its proportionate share of losses in 2014 (2013 - 324,500 SEK (USD 50,959 / CHF 45,364).

Notes to combined Financial Statements for the year ended December 31, 2014
(expressed in USD and CHF equivalent)

The Swedish Triathlon Federation (STF) is a 34% shareholder of WTS. The Organization has signed loan agreements to fund 34% of STF's proportionate contribution to the losses incurred by WTS. The loan generates interest and is payable only when WTS has distributable profits. The Organization has loaned SEK 37.500 (USD 5,034 / CHF 4,980) (2013 - 398,250 SEK (USD 61,082/ CHF 54,375)) to STF to cover STF's proportionate contribution to the losses incurred by WTS.

	2014	2014	2013	2013
	USD	CHF	USD	CHF
Loan receivable from World Triathlon Stockholm AB	117'081	116'578	110'095	98'007
Loan receivable from Swedish Triathlon Federation	135'446	137'019	133'658	118'982
Interest	3'788	3'748	0	0
	256'315	253'598	243'753	216'989

9 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:

	USD	CHF
2015	50'807	50'268
2016	12'702	12'567
	63'509	62'836

Commitments are in Swiss francs; however, the table presents the commitments in US dollar equivalents at the December 31, 2014 year-end date.

Agreement with Lagardère Unlimited

The Organization has an ongoing agreement with Lagardère Unlimited until 2016 in which a minimum of seven events which comprise the ITU Triathlon World Championship Series (WCS), are organized under the governance of the Organization. Under the terms of the agreement, Lagardère Unlimited is appointed to manage certain aspects of the WCS and to market certain contractual rights to the WCS.

Notes to combined Financial Statements for the year ended December 31, 2014
(expressed in USD and CHF equivalent)

10 Conversion rate

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

2012: 0.9133

2013: 0.8902

2014: 0.9894

11 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.

12 New accounting law

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

13 Departure from the consistency principle

The presentation of the prior year figures has been modified for consistency reason, without any impact on the net result or retained earnings.

International Triathlon Union

Combined Balance sheet as at 31 December (in CHF)

Assets	Note	2014	2013
Current assets			
Cash and cash equivalents		547'837	1'003'727
Short-term investments with a quoted market price	Note 4	5'738'520	8'234'350
Trade receivables due from third parties		1'826'431	938'944
Other current receivables due from third parties		75'294	-
Accrued income and prepaid expenses		91'766	75'355
Total current assets		8'279'848	10'252'376
Non-current assets			
Financial assets			
Loans to group companies	Note 8	253'598	216'989
Other financial assets	Note 4	386'421	685'081
Investments	Note 8	1'672	1'505
		-	-
Property, plant and equipment	Note 5	421'963	389'803
Total non-current assets		1'063'654	1'293'377
Total assets		9'343'503	11'545'753
Liabilities			
Short-term liabilities			
Trade payables due from third parties		281'901	520'341
Other short-term liabilities due from third parties		141'265	99'017
Accrued expenses and deferred income	Note 6	7'421	20'920
Unrealized gain		1'188'475	
Short-term provisions		26'485	-
Total short-term liabilities		1'645'547	640'278
Long-term liabilities			
Long-term provisions		514'488	240'354
Total long-term liabilities		514'488	240'354
Total liabilities		2'160'035	880'632
Net Assets			
Invested in capital assets		421'963	389'803
Cumulated surplus of revenue over expenses		6'761'504	10'275'318
Total shareholders' equity		7'183'467	10'665'121
Total liabilities		9'343'503	11'545'753

International Triathlon Union

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

	2014	2013
Revenue		
Olympic games	-	1'205'352
Sponsorships	2'031'280	1'827'929
Television and event fees	735'124	690'946
Grants and contributions	170'955	79'328
Affiliation fees	28'198	24'026
Video and photo sales	321	768
	2'965'877	3'828'348
Expenses		
Administrative expenses	-321'674	-396'417
Amortization of capital assets	-25'660	-35'664
Anti-doping related expenses	-237'933	-199'717
Bad debt	-9'894	-345'293
Committee	-87'003	-30'424
Competitions and Events	-1'751'075	-1'518'031
Development	-1'046'295	-916'367
Dues and Subscriptions	-5'934	-9'207
Executive Board	-154'222	-158'438
Legal and Accounting	-76'684	-161'639
Media and Television	-522'156	-346'823
Olympic Games expenses	-69'156	-
President's Honoarium	-191'332	-124'834
Salaries	-1'725'943	-1'554'097
Website	-63'675	-94'470
	-6'288'635	-5'891'422
Earnings before interest and translation adjustment	-3'322'758	-2'063'074
Financial income	158'496	61'472
Financial expenses	-317'392	-23'802
Non-operating income	-	72'588
Earnings before translation adjustment	-3'481'654	-1'952'817
Translation loss	-	-327'426
Loss for the year/period	-3'481'654	-2'280'242

Combined statement of changes in Net Assets for the year ended December 31
(in CHF)

			2014	2013
	Invested capital assets	Unrestricted	Total	Total
Balance - Beginning of year	389'803	10'275'318	10'665'121	12'945'364
(Deficiency) surplus of revenue over expenses for the year	-25'660	-3'455'994	-3'481'654	-1'952'817
Invested in capital assets	14'382	-14'382	0	0
Translation gain (loss)	43'438	-43'438	0	-327'426
Balance - End of year	421'963	6'761'504	7'183'467	10'665'121

International Triathlon Union

Combined statement of cash flows for the year ended December 31 (in CHF)

	2014	2013
Cash from operating activities		
(Deficiency) surplus of revenue over expenses for the year	-3'481'654	-1'952'817
Items not involving cash		
Amortization of capital assets	25'660	35'664
Bad debt expense	9'894	345'293
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	-3'446'100	-1'571'859
Change in non-cash operating working capital		
Accounts receivable	-792'748	-1'039'667
Loans receivable	-12'429	-99'739
Other current receivables	-75'294	0
Prepaid expenses and deposits	-8'014	-3'421
Account payable and accrued liabilities	-17'860	594'505
Short-term provisions	26'485	0
Deferred revenue	-15'830	14'243
	<hr/>	<hr/>
	-4'341'791	-2'105'938
Cash from investing activities		
Purchase of capital assets	-14'382	-14'541
Purchase of investments	375'001	79'381
Proceeds from maturity of short-term investments	3'413'430	1'941'325
	<hr/>	<hr/>
	3'774'049	2'006'165
Foreign exchange conversion	111'852	-28'636
(Decrease) increase in cash and cash equivalents	-455'889	-128'409
Cash and cash equivalents - Beginning of year	<hr/>	<hr/>
	1'003'727	1'132'135
Cash and cash equivalents - End of year	<hr/>	<hr/>
	547'837	1'003'727