



***International Triathlon Union
Lausanne***

***Report of the statutory auditor
to the General Meeting
on the combined financial statements 2015***



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 2015.

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 2015 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, 20 May 2016

Enclosure:

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

International Triathlon Union

Combined Balance sheet as at 31 December (in USD)

Assets	Note	2015	2014
Current assets			
Cash and cash equivalents		1'193'237	553'707
Short-term investments with a quoted market price	4	2'499'377	5'800'000
Trade receivables due from third parties		1'400'115	1'845'998
Other current receivables due from third parties		11'710	76'101
Accrued income and prepaid expenses		238'793	92'749
Total current assets		5'343'232	8'368'555
Non-current assets			
Financial assets			
Loans to group companies	8	278'496	256'315
Other financial assets		228'362	390'561
Investments		1'690	1'690
Property, plant and equipment	5	406'296	426'484
Total non-current assets		914'844	1'075'050
Total assets		6'258'076	9'443'605

Liabilities	Note	2015	2014
Short-term liabilities			
Trade payables due from third parties		233'616	284'922
Other short-term liabilities due from third parties		161'361	142'779
Accrued expenses and deferred income	6	533'937	7'500
Short-term provisions		-	26'769
Total short-term liabilities		928'914	461'970
Long-term liabilities			
Long-term provisions		-	520'000
Total long-term liabilities		-	520'000
Total liabilities		928'914	981'970
Shareholders' equity			
Invested in capital assets		406'296	426'484
Cumulated (deficiency) surplus of revenue over expenses		4'922'866	8'035'151
Total shareholders' equity		5'329'162	8'461'635
Total liabilities		6'258'076	9'443'605

International Triathlon Union

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

	Note	2015	2014
Revenue			
Olympic games		-	-
Sponsorships		301'498	2'053'042
Television and event fees		1'515'000	743'000
Grants and contributions		102'660	172'786
Prize money received		410'000	-
Affiliation fees		29'146	28'500
Video and photo sales		54'954	325
		2'413'258	2'997'653
Expenses			
Administrative expenses		-208'658	-325'120
Amortization of capital assets		-27'625	-25'935
Anti-doping related expenses		-235'056	-240'482
Bad debt		-147'914	-10'000
Committee		-72'080	-87'935
Competitions and Events		-1'324'522	-1'769'835
Development		-1'013'875	-1'057'505
Dues and Subscriptions		-12'363	-5'997
Executive Board		-106'797	-155'874
Legal and Accounting		-100'835	-77'506
Media and Television		-374'757	-527'750
Olympic Games expenses		-	-69'897
President's Honoarium		-185'462	-193'382
Salaries		-1'539'682	-1'744'434
Website		-63'124	-64'357
		-5'412'750	-6'356'009
Earnings before interest and taxes		-2'999'492	-3'358'356
Financial income		9'045	160'194
Financial expenses		-142'025	-320'792
Earnings before taxes		-3'132'472	-3'518'954
Non-operating income		-	-
Profit/loss for the year/period		-3'132'472	-3'518'954
Direct taxes		-	-
Profit/loss for the year/period		-3'132'472	-3'518'954

International Triathlon Union

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

	2015	2014
Cash from operating activities		
(deficiency) surplus of revenue over expenses for the year	-3'132'472	-3'518'955
Non cash items		
Ammortization of capital assets	27'625	25'935
Bad debt expense	147'914	10'000
	<u>-2'956'933</u>	<u>-3'483'020</u>
Change in non-cash operating working capital		
Accounts receivable	297'969	-801'241
Loans receivable	-22'181	-12'562
Other current receivables	64'391	-76'101
Prepaid expenses and deposits	-146'043	-8'100
Accounts payable and accrued liabilities	-552'724	-18'051
Short-term provisions	-26'769	26'769
Deferred revenue	526'437	-16'000
	<u>-2'815'853</u>	<u>-4'388'306</u>
Cash from investing activities		
Purchase of capital investments	-7'439	-14'536
Purchase of investments	162'199	379'019
Proceeds from maturity of short-term investments	3'300'623	3'450'000
	<u>3'455'383</u>	<u>3'814'483</u>
(Decrease) increase in cash and cash equivalents	639'530	-573'823
Cash and cash equivalents - Beginning of year	553'707	1'127'530
Cash and cash equivalents - End of year	1'193'237	553'707

International Triathlon Union

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

			2015	2014
	Invested capital assets	Unrestricted	Total	Total
Balance - Beginning of year	426'484	8'035'151	8'461'635	11'980'590
(Deficiency) surplus of revenue over expenses for the year	27'625	-3'160'099	-3'132'472	-3'518'955
Invested in capital assets	-47'814	47'814	-	-
Balance - End of year	406'296	4'922'866	5'329'162	8'461'635

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2015 (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 2014 and 2015 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.

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2015 (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.

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2015 (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.

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.'

4 Short-term investments and Other financial assets

Short-term investments of USD 2,499,377 (CHF 2,495,628) 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.

5 Property, Plant and Equipment

	2015						2014	
	Cost		Accumulated amortization		Net		Net	
	USD	CHF	USD	CHF	USD	CHF	USD	CHF
Land	298'580	298'132	0	0	298'580	298'132	298'580	295'415
Building	140'508	140'297	50'739	50'662	89'769	89'635	94'453	93'452
Furniture and fixtures	20'396	20'365	18'568	18'540	1'828	1'825	4'724	4'674
Computer equipment	80'711	80'589	67'573	67'471	13'138	13'118	20'620	20'401
TV equipment	67'444	67'343	64'463	64'366	2'981	2'977	8'107	8'021
	607'639	606'726	201'343	201'039	406'296	405'687	426'484	421'963

6 Deferred revenue

Deferred revenue consists of USD 516,152 (CHF 515,378) in advance event fees.

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2015 (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:

	2015	2014
	USD	USD
Canadian dollars (CA\$17,094; 2014 - CA\$21,899;)	12'328	18'849
Euros (€56,561; 2014 - €155,141)	61'795	192'463
Swiss francs (CHF 48,388; 2014 -CHF 528,616)	48'823	534'802
	122'946	746'114

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 increased its capital share to SEK 77,000 (USD 9,173/ CHF 9,088) during 2015 as the increase was proportionnal between the different shareholders the share vote remained at 11%.

International Triathlon Union

Notes to combined Financial Statements for the year ended December 31, 2015

(expressed in USD and CHF equivalent)

The Swedish Triathlon Federation (STF) is a 34% shareholder of WTS AB. 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 AB has distributable profits. The Organization has loaned SEK 94,500 (USD 10,859/CHF 10,843 (2014 - SEK 37.500 (USD 5,034 / CHF 4,980) to STF to cover STF's proportionate contribution to the losses incurred by WTS.

	2015	2015	2014	2014
	USD	CHF	USD	CHF
Loan receivable from World Triathlon Stockholm AB	128'403	128'210	117'081	116'578
Loan receivable from Swedish Triathlon Federation	146'305	146'085	135'446	137'019
Interest	3'788	3'783	3'788	3'748
	278'496	278'078	256'315	253'598

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	12'683
	63'509	62'951

Commitments are in Swiss francs; however, the table presents the commitments in US dollar equivalents at the December 31, 2015 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, 2015
(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

2015: 0.9985

International Triathlon Union

Combined Balance sheet as at 31 December (in CHF)

Assets	Note	2015	2014
Current assets			
Cash and cash equivalents		1'191'447	547'838
Short-term investments with a quoted market price	4	2'495'628	5'738'520
Trade receivables due from third parties		1'398'015	1'826'430
Other current receivables due from third parties		11'693	75'294
Accrued income and prepaid expenses		238'434	91'766
Total current assets		5'335'217	8'279'848
Non-current assets			
Financial assets			
Loans to group companies	8	278'078	253'598
Other financial assets		228'019	386'421
Investments		1'688	1'672
Property, plant and equipment	5	405'687	421'963
Total non-current assets		913'472	1'063'654
Total assets		6'248'689	9'343'503

Liabilities	Note	2015	2014
Short-term liabilities			
Trade payables due from third parties		233'266	281'901
Other short-term liabilities due from third parties		161'119	141'265
Accrued expenses and deferred income	6	533'136	7'421
Unrealized gain		1'265'475	1'188'475
Short-term provisions		-	26'485
Total short-term liabilities		2'192'996	1'645'547
Long-term liabilities			
Long-term provisions		-	514'488
Total long-term liabilities		-	514'488
Total liabilities		2'192'996	2'160'035
Shareholders' equity			
Invested in capital assets		405'687	421'963
Cumulated (deficiency) surplus of revenue over expenses		3'650'006	6'761'504
Total shareholders' equity		4'055'693	7'183'467
Total liabilities		6'248'689	9'343'503

International Triathlon Union

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

	Note	2015	2014
Revenue			
Olympic games		-	-
Sponsorships		301'046	2'031'280
Television and event fees		1'512'728	735'124
Grants and contributions		102'506	170'955
Prize money received		409'385	-
Affiliation fees		29'102	28'198
Video and photo sales		54'871	321
		2'409'638	2'965'877
Expenses			
Administrative expenses		-208'345	-321'674
Amortization of capital assets		-27'584	-25'660
Anti-doping related expenses		-234'703	-237'933
Bad debt		-147'692	-9'894
Committee		-71'972	-87'003
Competitions and Events		-1'322'535	-1'751'075
Development		-1'012'354	-1'046'295
Dues and Subscriptions		-12'345	-5'934
Executive Board		-106'637	-154'222
Legal and Accounting		-100'684	-76'684
Media and Television		-374'195	-522'156
Olympic Games expenses		-	-69'156
President's Honoarium		-185'184	-191'332
Salaries		-1'537'372	-1'725'943
Website		-63'029	-63'675
		-5'404'631	-6'288'635
Earnings before interest and taxes		-2'994'993	-3'322'758
Financial income		9'031	158'496
Financial expenses		-141'812	-317'392
Earnings before taxes		-3'127'774	-3'481'654
Non-operating income		-	-
Profit/loss for the year/period		-3'127'774	-3'481'654
Direct taxes		-	-
Profit/loss for the year/period		-3'127'774	-3'481'654

International Triathlon Union

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

	2015	2014
Cash from operating activities		
(deficiency) surplus of revenue over expenses for the year	-3'127'774	-3'481'654
Non cash items		
Non cash revenue		
Amortization of capital assets	27'584	25'660
Bad debt expense	147'692	9'894
	<u>-2'952'498</u>	<u>-3'446'100</u>
Change in non-cash operating working capital		
Accounts receivable	297'522	-792'748
Loans receivable	-22'148	-12'429
Other current receivables	64'294	-75'294
Prepaid expenses and deposits	-145'824	-8'014
Accounts payable and accrued liabilities	-551'895	-17'860
Short-term provisions	-26'729	26'485
Deferred revenue	525'648	-15'830
	<u>-2'811'630</u>	<u>-4'341'790</u>
Cash from investing activities		
Purchase of capital investments	-7'428	-14'382
Purchase of investments	161'956	375'001
Proceeds from maturity of short-term investments	3'295'672	3'413'430
	<u>3'450'200</u>	<u>3'774'049</u>
Foreign exchange conversion	5'039	111'852
(Decrease) increase in cash and cash equivalents	643'609	-455'889
Cash and cash equivalents - Beginning of year	547'838	1'003'727
Cash and cash equivalents - End of year	1'191'447	547'837

International Triathlon Union

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

			2015	2014
	Invested capital assets	Unrestricted	Total	Total
Balance - Beginning of year	421'963	6'761'504	7'183'467	10'665'121
(Deficiency) surplus of revenue over expenses for the year	-27'584	-3'100'190	-3'127'774	-3'481'654
Invested in capital assets	11'308	-11'308	0	0
Balance - End of year	405'687	3'650'006	4'055'693	7'183'467