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# ***International Triathlon Union***

***Lausanne***

## ***Report of the auditor to the Executive Committee on the financial statements 2017***





# ***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 2017.

#### ***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 2017 comply with Swiss law.



PricewaterhouseCoopers SA

Philippe Tzaud  
Audit expert

Nicolas Daehler  
Audit expert

Lausanne, 20 June 2018

Enclosure:

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



## Financial Statements

Company	<b>International Triathlon Union</b>
Financial year	<b>2017</b>
Closing date	<b>31.12.2017</b>

**Combined Balance sheet for the year ended  
31 December 2017  
(in USD)**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and cash equivalents	9'825'713	14'020'228
Short-term investments with a quoted market price	5'012'483	2'196'770
Trade receivables due from third parties	740'734	723'923
Other current receivables due from third parties	6'188	14'665
Accrued income and prepaid expenses	98'029	105'915
<b>Total current assets</b>	<b>15'683'147</b>	<b>17'061'501</b>
<b>Non-current assets</b>		
Financial assets		
Loans to Affiliated entities	192'385	294'155
Other financial assets	-	1'693
Investments	1'690	1'690
Property, plant and equipment	401'005	390'875
<b>Total non-current assets</b>	<b>595'080</b>	<b>688'413</b>
<b>Total assets</b>	<b>16'278'227</b>	<b>17'749'914</b>
<b>Liabilities</b>	<b>2017</b>	<b>2016</b>
<b>Short-term liabilities</b>		
Trade payables due from third parties	542'735	516'955
Other short-term liabilities due from third parties	329'857	1'293'880
Accrued expenses and deferred income	115'160	194'044
Short-term provisions	312'385	160'780
<b>Total short-term liabilities</b>	<b>1'300'137</b>	<b>2'165'659</b>
<b>Allocated Funds</b>		
IOC Contribution Fund	10'858'036	12'625'000
<b>Total Allocated Funds</b>	<b>10'858'036</b>	<b>12'625'000</b>
<b>Unallocated Funds</b>		
Cumulated surplus of revenue over expenses	2'959'255	5'329'163
Profit/loss for the year/period	1'160'799	-2'369'908
<b>Total Unallocated Funds</b>	<b>4'120'054</b>	<b>2'959'255</b>
<b>Total liabilities</b>	<b>16'278'227</b>	<b>17'749'914</b>

**Combined Profit and loss statement for the year ended  
31 December 2017  
(in USD)**

	2017	2016
<b>Revenue</b>		
Olympic games	3'411'012	875'000
Sponsorships	1'117'000	1'081'061
Television and event fees	2'219'170	1'730'200
Grants and contributions	96'238	95'193
Prize money received	460'000	460'000
Affiliation fees	29'986	38'100
Other Income	93'274	82'972
	<b>7'426'680</b>	<b>4'362'526</b>
<b>Expenses</b>		
Administrative expenses	-248'427	-229'823
Depreciation of capital assets	-12'819	-17'496
Anti-doping related expenses	-291'633	-245'034
Bad debt	-533'495	-379'845
Committee	-73'966	-303'116
Competitions and Events	-1'998'602	-1'703'287
Development	-1'004'627	-1'000'770
Executive Board	-171'706	-111'077
Legal and Accounting	-40'735	-27'655
Media and Television	-731'924	-555'928
Olympic Games expenses	-	-356'565
President's Honorarium	-193'524	-184'104
Salaries	-1'610'187	-1'576'938
	<b>-6'911'645</b>	<b>-6'691'638</b>
<b>Earnings before interest and taxes</b>	<b>515'035</b>	<b>-2'329'112</b>
Financial income	678'217	148'715
Financial expenses	-32'453	-189'511
<b>Profit/loss for the year</b>	<b>1'160'799</b>	<b>-2'369'908</b>

**Combined statement of cash flows for the year ended  
31 December 2017  
(in USD)**

	2017	2016
<b>Cash from operating activities</b>		
Profit/loss for the year/period	1'160'799	-2'369'908
Items not involving cash		
Depreciation	12'819	17'496
Other non cash expense	1'693	-
Bad debt expense	533'495	379'845
	<u>1'708'806</u>	<u>-1'972'567</u>
Change in non-cash operating working capital		
Accounts receivable	-550'306	296'347
Loans receivable	101'770	-15'659
Other current receivables	8'477	-2'955
Prepaid expenses and deposits	7'886	132'878
Accounts payable and accrued liabilities	-938'242	1'415'859
Short-term provisions	151'605	160'780
Deferred revenue	-1'845'848	12'285'107
	<u>-1'355'852</u>	<u>12'299'790</u>
<b>Cash from investing activities</b>		
Purchase of capital investments	<u>-22'950</u>	<u>-2'075</u>
<b>(Decrease) / increase in cash and cash equivalents</b>	<u>-1'378'802</u>	<u>12'297'715</u>
<b>Cash and cash equivalents and short term investments with a quoted price - Beginning of year</b>	16'216'998	3'919'283
<b>Cash and cash equivalents and short term investments with a quoted price - End of year</b>	14'838'196	16'216'998

**Notes to combined Financial Statements for the year ended December 31, 2017**  
**(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 2016 and 2017 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 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

**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.



**Notes to combined Financial Statements for the year ended December 31, 2017**  
(expressed in USD and CHF equivalent)

**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 (CHF 4,886,670) 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 Property, Plant and Equipment**

	2017				2016			
	Cost		Depreciation		Net		Net	
	USD	CHF	USD	CHF	USD	CHF	USD	CHF
Land	298'580	304'462	-	-	298'580	291'086	298'581	304'463
Building	140'109	136'592	60'106	58'597	80'003	77'995	85'085	86'761
Furniture and fixtures	20'396	19'884	20'216	19'709	180	175	351	358
Computer equipment	105'735	103'081	83'493	81'397	22'242	21'684	5'828	5'943
TV equipment	67'843	66'140	67'843	66'140	-	-	1'030	1'050
	632'663	630'159	231'658	225'843	401'005	390'940	390'875	398'575

**7 Allocated Funds - IOC Contribution Fund**

	2017	2016
Balance at January 1st	12'625'000	-
Funds received from IOC during the year	1'644'048	13'500'000
Revenue recognised	-3'411'012	-875'000
Balance at December 31st	10'858'036	12'625'000

USD 13,500,000 (CHF 13'765'950) was received from the IOC in 2016 related to the 2016 RIO Olympics. In 2017 a third instalment of 1,644,048 USD (CHF 1,602,782) was received.

**Notes to combined Financial Statements for the year ended December 31, 2017**  
(expressed in USD and CHF equivalent)

**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:

	<b>2017</b>	<b>2016</b>
	<b>USD</b>	<b>USD</b>
Canadian dollars (2017 CAD\$ 40'143 ; 2016 CAD\$ 14'805)	31'883	11'071
Euros (2017 EUR€ 2'877'551 ; 2016 EUR€ 3'656'462)	3'456'710	3'846'518
Swiss francs (2017 CHF 12'111 ; 2016 CHF 2'508'005)	12'415	2'459'555
	<u>3'501'008</u>	<u>6'317'144</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 / 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 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 generates interest and is payable only when WTS AB has distributable profits.

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>USD</b>	<b>CHF</b>	<b>USD</b>	<b>CHF</b>
Loan receivable from World Triathlon Stockholm AB	12'106	11'802	135'137	137'799
Loan receivable from Swedish Triathlon Federation	176'931	172'490	155'671	158'738
Interest	3'348	3'264	3'347	3'413
	<u>192'385</u>	<u>187'556</u>	<u>294'155</u>	<u>299'950</u>

**Notes to combined Financial Statements for the year ended December 31, 2017**  
(expressed in USD and CHF equivalent)

**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:

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>USD</b>	<b>CHF</b>	<b>USD</b>	<b>CHF</b>
Lease payments - Lausanne	39'001	38'022	12'702	12'567

Commitments are in Swiss francs; however, the table presents the commitments in US dollar equivalents at the December 31, 2017 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.

**11 Conversion rate**

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

2016: 1.0197

2017: 0.9749

**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.

**Combined Balance sheet for the year ended  
31 December 2017  
(in CHF)**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and cash equivalents	9'579'088	14'296'426
Short-term investments with a quoted market price	4'886'670	2'240'046
Trade receivables due from third parties	722'142	738'184
Other current receivables due from third parties	6'032	14'954
Accrued income and prepaid expenses	95'568	108'002
<b>Total current assets</b>	<b>15'289'500</b>	<b>17'397'612</b>
<b>Non-current assets</b>		
Financial assets		
Loans to affiliated entities	187'556	299'950
Other financial assets	-	1'726
Investments	1'648	1'723
Property, plant and equipment	390'940	398'575
<b>Total non-current assets</b>	<b>580'144</b>	<b>701'974</b>
<b>Total assets</b>	<b>15'869'644</b>	<b>18'099'586</b>
<b>Liabilities</b>	<b>2017</b>	<b>2016</b>
<b>Short-term liabilities</b>		
Trade payables due from third parties	529'112	527'139
Other short-term liabilities due from third parties	321'578	1'319'368
Accrued expenses and deferred income	112'270	197'867
Unrealised gain	1'245'880	1'378'456
Short-term provisions	304'544	163'947
<b>Total short-term liabilities</b>	<b>2'513'384</b>	<b>3'586'777</b>
<b>Allocated Funds</b>		
IOC Contribution Fund	10'585'499	12'873'712
<b>Total Allocated Funds</b>	<b>10'585'499</b>	<b>12'873'712</b>
<b>Unallocated Funds</b>		
Cumulated surplus of revenue over expenses	1'639'097	4'055'693
Profit/loss for the year/period	1'131'664	-2'416'596
<b>Total unallocated funds</b>	<b>2'770'761</b>	<b>1'639'097</b>
<b>Total liabilities</b>	<b>15'869'644</b>	<b>18'099'586</b>

**Combined Profit and loss statement for the year ended  
31 December 2017  
(in CHF)**

	2017	2016
<b>Revenue</b>		
Olympic games	3'325'396	892'238
Sponsorships	1'088'963	1'102'358
Television and event fees	2'163'470	1'764'285
Grants and contributions	93'823	97'068
Prize money received	448'454	469'062
Affiliation fees	29'233	38'851
Other Income	90'933	84'607
	<b>7'240'272</b>	<b>4'448'469</b>
<b>Expenses</b>		
Administrative expenses	-242'192	-234'351
Amortization of capital assets	-12'497	-17'841
Anti-doping related expenses	-284'313	-249'861
Bad debt	-520'104	-387'328
Committee	-72'109	-309'088
Competitions and Events	-1'948'438	-1'736'842
Development	-979'411	-1'020'486
Executive Board	-167'396	-113'265
Legal and Accounting	-39'713	-28'200
Media and Television	-713'552	-566'880
Olympic Games expenses	-	-363'589
President's Honoarium	-188'666	-187'731
Salaries	-1'569'771	-1'608'004
	<b>-6'738'162</b>	<b>-6'823'466</b>
<b>Earnings before interest and taxes</b>	<b>502'110</b>	<b>-2'374'997</b>
Financial income	661'193	151'645
Financial expenses	-31'639	-193'244
<b>Profit/loss for the year/period</b>	<b>1'131'664</b>	<b>-2'416'596</b>

**Combined statement of cash flows for the year ended  
31 December 2017  
(in CHF)**

	2017	2016
<b>Cash from operating activities</b>		
(deficiency) surplus of revenue over expenses for the year	1'131'664	-2'416'596
Items not involving cash		
Depreciation	12'497	17'841
Other non cash expense	1'726	-
Bad debt expense	520'104	387'328
	<u>1'665'991</u>	<u>-2'011'427</u>
Change in non-cash operating working capital		
Accounts receivable	-504'062	302'185
Loans receivable	112'394	-15'967
Other current receivables	8'922	-3'013
Prepaid expenses and deposits	12'434	135'495
Accounts payable and accrued liabilities	-995'817	1'330'770
Short-term provisions	140'597	163'947
Deferred revenue	-2'373'810	12'527'124
	<u>-1'933'351</u>	<u>12'429'114</u>
<b>Cash from investing activities</b>		
Purchase of capital investments	<u>20'132</u>	<u>-2'116</u>
<b>Foreign exchange conversion</b>	-132'575	112'981
<b>Exchange difference</b>	-24'920	83'088
<b>(Decrease) increase in cash and cash equivalents</b>	<u>-2'070'714</u>	<u>12'623'067</u>
<b>Cash and cash equivalents and short term investments with a quoted price - Beginning of year</b>	16'536'472	3'913'405
<b>Cash and cash equivalents and short term investments with a quoted price - End of year</b>	14'465'758	16'536'472