

**WADA FINANCE AND ADMINISTRATION COMMITTEE
MEETING MINUTES**

**Thursday, 23 July 2015
London, United Kingdom**

PRESENT: Francesco Ricci Bitti, Chairman
Christoph Breuer
Trevor Burgess
Cheryl Gibson
Michael Gottlieb
Tomas Johansson
Austin Sealy
Natalia Zhelanova

**ALSO IN
ATTENDANCE:** Sir Craig Reddie
Lana Haddad (Observer, IOC)
David Howman
Olivier Niggli
Maria Pisani

APOLOGY: Patrick Chamunda

1. Welcome and Apologies

Mr. Francesco Ricci Bitti once again welcomed the Committee members and WADA President Sir Craig Reddie to the International Tennis Federation's offices.

An apology was received from Mr. Patrick Chamunda.

2. 2014 Audited Accounts and Internal Memorandum

The 2014 audited accounts and the auditors' detailed assurance report (internal memorandum) were presented to the Committee. It was noted that the WADA Foundation Board had approved the Financial Statements at its May 2015 meeting. It was also noted that the detailed assurance report highlighted once again that there were no control deficiencies. Two misstatements were recorded; a reversing 2013 payroll entry and an unrecorded year end value of a financial derivative. Both statements have been addressed. It was noted that the misstatements had no material impact on the financial statements, or on the auditor's report.

The Chairman was pleased with the clean assurance report WADA received.



3. Government Contributions 2015

It was noted that the percentage of contributions received as of 16 July 2015 was at the same level as last year at this time. Some concerns were raised in the European region with the nonpayment of Italy and Greece's contributions, and also from the Americas region, with the nonpayment of Mexico, Argentina and Cuba's contributions.

It was stated that reminders would be sent by the end of August 2015, and it was also noted that WADA has always received payment from these countries in the past and that it is not concerned that payment will not be forthcoming with the exception of Greece, as Greece has advised the Council of Europe that they wished to be excused for their 2015 contribution due to their present economical status.

Additional contributions received from Public Authorities were noted. Particular attention and thanks were given to the UK Government for a onetime additional contribution, and to Kuwait for their commitment of an additional annual contribution to WADA.

4. Special Research Fund

Total special research funds received to date of 9,317,594 USD was noted, as was the remaining matching contribution from the IOC in the amount of 1,789,297 USD. The IOC Observer attending the meeting stated the matching payment was forthcoming shortly. The total fund received would then be 11,106,892 USD.

It was recommended that this fund be disbursed over a 2-3 year period. This special fund allows WADA to reduce its working budget for Science Research in the coming years but as highlighted by the Chairman, it was important to note that the research budget would have to be reinstated once this special fund is depleted.

The WADA President highlighted that countries paying in installments must make the final payment by the March 31, 2016 deadline in order for WADA to receive the IOC matching payment. WADA Management will send reminders of the deadline date to ensure all commitments are received by that date.

The WADA President also highlighted the impact on exchange rate on commitments received, such as Japan, where the commitment was to pay 1 million USD; however payment was made in Yen, which translated to 826,173 USD, a short fall of 173,827 USD. This is one reason why the figure of 12 million USD committed will not be 12 million USD received, as countries pay in their local currency, WADA will receive less. The outstanding balance on commitments is approximately 300,000 USD.

There was a concern as to how the funds are to be recorded in WADA's accounts. It was made clear that the funds are held in a separate account from WADA's operations and would be recorded separately when the funds are disbursed.

Finally it was highlighted that 1 million USD of this fund was to be devoted to Social Science Research by the Executive Committee in May 2015. The Social Science research will follow the same process as the Science Research in both the allocation and disbursement of funds.

5. 2014 Accounts to June 30, 2015

The accounts as of June 30, 2015 were presented and reviewed by the Committee.

Specific items noted:



Balance Sheet:

- Special Research Funds held in separate account on WADA's balance sheet.
- Accrued Income: Deferred Income RADO Fund - Olympic Solidarity: Funds received from Olympic Solidarity for RADO fund.

Income:

- Additional Income received from Public authorities: JADA (Asia RADOs); City of Lausanne (ADO Symposium); the Russian Federation; the United Kingdom; and extra contribution from Kuwait which has been committed as an additional contribution going forward. Thanks were extended for the extra support given to WADA.
- Montreal International Grant received is below budgeted levels at this time due to USD/CAD exchange rate.
- Low level of Interest Income was also noted.

Expenditures:

- Legal: Independent Commission Investigation, This is a non-budgeted item for 2015, and must be completed. This item is addressed in the revised budget.
- Depreciation: Depreciation is higher than anticipated at 61% of budget; however this includes the write off of a project (Paperless) that will not be completed as it stands today, but rather will be part of the new ADAMS project.
- Science Research Grants: Previous years research grant expenses stand at 2.0 million USD. It is noted this arises from previous year's research grant budgets and are part of commitments held.
- Gain/loss on exchange: Concern was raised on this item and how best to manage this risk. Due to the volatility of the USD/CAD exchange rate, and the funds held in foreign currencies, the revaluation of the financial statements creates an unrealized loss on exchange rate. Much discussion was held on this item and WADA Management is to analyze the best way forward to minimize this exposure.
- Capital Expenditure: the largest investment is the ongoing development of the current ADAMS, as well as the development of the New ADAMS. It was noted that only 28 percent of the capital budget was incurred to date, and responded that projects are moving forward however the cash outlay has yet to occur. It was commented that IT projects frequently go over budget or are extended beyond the original completion date. WADA informed the Committee that to date we are on track to deliver New ADAMS by the end of 2016, and that change requests are being followed and monitored by a change request review board set up by WADA Management.
- Regional Offices: all regional office expenditures are in line. It was mentioned that the ADO Symposium came in on budget and it has become a very important activity for WADA. It was noted that the Symposium will be expanded again next year with an appropriate increase in budget.

No other questions or concerns were raised.

6. 2015 Revised Budget

The 2015 revised budget was discussed and reviewed in detail.

Exchange rate was adjusted to reflect the market value at the time of the revised budget review.

Income was increased by 82,780 USD. The difference stems from additional contributions received from Public Authorities as well as decreases in the Montreal International Grant due to



the impact of exchange rate and decrease in Interest Income due to low interest in the Market Place.

It was noted that the 2014 dues received to date are not budgeted to be matched by the IOC. It was explained once again that the IOC had attained 100 percent of budgeted contribution by December 12, 2014; therefore the IOC obligation to the 2014 budget is complete.

- Total expenditures were reduced by the increase in the USD/CAD exchange rate value. The largest decrease comes from the salary line as a major portion of salaries are paid out in Canadian Dollar.
- Adjustments were done between individual departments as needed to carry out activities. The largest savings comes from the decrease in Standards and Harmonization as the staffing increase timeline has not occurred as budgeted and the cost of the Code implementation is delayed.
- The largest increase in expenditures comes from the Legal Department in Litigation Costs with an increase of 250,000 USD and the Independent Commission Investigation being allocated a budget of 1,400,000 USD. The actual budget allocation for the independent Commission through savings from other activities is 1,100,000USD with an additional 300,000 USD to be taken from the Litigation Reserve. The use of the Litigation Reserve for the Independent Commission was approved by the Finance Committee.
- Depreciation expense increased due to the increase in capital expenditures over the past few years.
- Capital Expenditures increased due to the expansion of the new office space in Montreal.

In summary all changes to the revised budget have a zero impact on the overall budget with the exception of the use of the litigation reserve.

Decision: 300,000 USD to be taken from the Litigation Reserve to cover costs of the Independent Commission investigation and to be reinstated by 2016.

Decision Approved by Finance and Administration Committee.

The revised budget was approved by the Finance Committee for referral to the Executive Committee in September.

7. 2016-2018 Draft Budget

WADA Operational Reserve Policy:

WADA Management put forth an operational reserve policy as was discussed at the 2014 Finance and Administration Committee. The policy states that unrestricted (unallocated cash) reserves cannot be depleted by more than 500,000 USD to fund a budget deficit in any given year, and that the restricted operational reserve fund, which currently stands at 2.4 million USD, covering a little over 2 months of operations (contractual obligations), should be increased to cover 6 months of operations or 9.6 million USD.

The operational fund would be funded over time through the allocation of unallocated funds as a regular budgetary item, or with any surplus from operations (year-end profits), or through specific sources of revenue such as one-time gifts or special grants.

The President, Chair of the Finance Committee and the Director General will identify the need to access these funds.

Decision: Recommend Operational Reserve Policy to the Executive Committee for approval.



Decision Approved by Finance and Administration Committee.

2016 Draft Budget with forecasted 2017-2018 Budgets

The first draft of the 2016 budget with the assumption of a 0% increase in Contribution Income and the reinstatement of members travel costs to the Executive and Foundation Board meetings posted a loss of \$1,470,439 USD and a drain on unallocated cash reserve of 3,283,658 USD, WADA cannot sustain a drain on cash reserves of this level. Therefore Management reviewed activities and reduced costs to present to the Finance Committee budgets that can be sustained.

Three options were therefore presented to the Finance Committee for the 2016 Draft Budget whilst respecting the budget criteria of not exceeding US \$500,000 cash reserve depletion.

The range of options was: 0, 3 and 4 percent contribution income increase, with noted expenditure of: non-reinstatement of member travel costs, provisions for incoming/outgoing Director General costs, staff salary increases, cost of Olympic Games and the reinstatement of the Litigation Reserve. The 2017-2018 forecast budgets were presented with a 3% increase in contribution Income for both years as well as to initiate the increase in operational reserve of 500,000 USD annually.

All options, together with the Budget Assumption and Criteria and the Strategic and Operational plan explanations, were fully discussed by Committee members.

Items noted:

- The Research Grant cuts were discussed and debated at length. Once again Management felt that this area could sustain a reduction in the budget this year due to the special research fund; however this research budget must be reinstated once the special fund is depleted.
- The cost of the New ADAMS was discussed and it was noted that the new ADAMS is on target to be delivered by the end of 2016, therefore the capital budget for the years 2017-2018 can be significantly reduced. Also important to note is that the 2017 budget posted a write down of asset for the old ADAMS.
- A Remuneration Committee will be formed to review salaries and compensation.

After much discussion the Committee submitted the following recommendations:

- (1) Present three scenarios of 2, 3 and 4% contribution increase for the 2017-2018 forecast budgets.
- (2) Reduce compensation to the level of projected inflation.
- (3) Present a 3% budget increase for 2016 and a drain on cash reserves of no more than 500,000 USD, whilst increasing the operation reserve starting in 2017.

In conclusion, the Committee recommends the budget, once revised with the above criteria, to the Executive Committee for further recommendation to the Foundation Board.

8. 2015-2018 Forecast

The cash forecast for 2015-2018 shows the drain on unallocated cash reserves and the establishment of the operation reserve. The constraint of depleting cash reserve of no more than 500,000 USD allows WADA to maintain reserves at a reasonable level and also allows for a gradual increase in the operation reserve.

9. Investments Overview



Investment Policy

The investment policy was presented to the Finance Committee detailing the criteria for investments, and giving the mandate to invest WADA funds to the CFO with recommendations made from WADA's investment bankers.

The Committee approved the investment policy with the added clause to the above criteria of "with an oversight from the COO". Therefore the policy will now read "giving the mandate to invest to the CFO, with an oversight from the COO, with recommendations..."

The Committee reviewed WADA's investments and noted that bonds invested are still performing at expected levels. WADA continues to follow its policy of no-risk investments, and invests solely on the recommendation of its investment bankers and financial advisers.

10. General Business

Request for proposal for auditors' review

The Request for Proposals for audit services was reviewed by the Committee.

WADA received proposals from the top three accounting firms; Ernst and Young, KPMG, and PricewaterhouseCoopers. After having studied the various proposals, the Committee is of the view that PricewaterhouseCoopers should be recommended. The President will undertake to negotiate a lower bid with PricewaterhouseCoopers prior to the Executive Committee meeting in September.

11. Future Meeting

A future meeting date and place in 2016 was not established, however, tentative dates will be proposed to the Committee shortly.
