

**WADA FINANCE AND ADMINISTRATION COMMITTEE
MEETING MINUTES**

**Tuesday, 19 July 2016
Lausanne, Switzerland**

PRESENT: Francesco Ricci Bitti, Chairman
Trevor Burgess
Cheryl Gibson
Michael Gottlieb
Lana Haddad
Tomas Johansson
Vincent Meriton
Austin Sealy

**ALSO IN
ATTENDANCE:** Sir Craig Reedie
Olivier Niggli
Frederic Donze
Maria Pisani

APOLOGY: Rafael Piechota

1. Welcome and Apologies

The Chairman, Mr. Francesco Ricci Bitti, welcomed the Committee members and WADA President Sir Craig Reedie to the Finance and Administration Committee meeting. The Chairman also welcomed Olivier Niggli, Director General, and Frederic Donze, Chief Operating Officer, and congratulated them on their new positions in WADA.

An apology was received from Rafael Piechota.

2. 2015 Audited Accounts and Internal Memorandum

The Chairman reviewed in some detail the results of the 2015 audited accounts, and the auditors' detailed assurance report (internal memorandum).

He detailed funds received in contribution income and additional grants, as well as the results for the year. He pointed out that 2015 closed with a loss of US \$1.166 million against a budgeted profit of US\$1.113 million, and indicated that the loss was due to the unrealized loss on exchange in the amount of US \$1,976 million. Management responded that a hedging strategy was put in place early in 2016 to avoid a similar unrealized loss on exchange going forward.

A point on the detailed assurance report on significant risks was raised by a committee member. The point states that "management could invalidate regulations directives and controls". The concern was what could be or has been done on this. It was clearly pointed out that the auditors



have tested this point and found no evidence that management had or could invalidate or override regulations, directives or controls. No control measures were needed as no control deficiencies existed.

It was noted that the WADA Foundation Board had approved the Financial Statements at its May 2016 meeting. It was also noted that the detailed assurance report highlighted once again that there were no control deficiencies.

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

3. Government Contributions 2016

The percentage of contributions received as of July 15, 2016 was 95.83%, much higher than last year at this time. Concerns were raised that some countries have yet to pay their contribution particularly with the Olympic Games approaching. It is WADA Policy that contributions are due by June 30, in order to be in good standing. Management confirmed that reminders have been sent to all outstanding countries however did stress that contributions continue to be received well into the latter half of the year.

Major contributions outstanding to date include: Italy (shortfall); Greece; Venezuela; Brunei Darussalam; Bahrain; Cuba and Peru. It was also noted that Uruguay has not paid their 2016 contribution to date, though we hold our regional office in Uruguay.

Additional contributions received from Public Authorities to date total US \$291,762, substantially lower than the amount received last year of US\$ 683,436. This is due to the cancellation of the grant received from Russia. Particular attention and thanks were given to Japan, Kuwait, Australia and Lausanne City, for their additional contributions to WADA.

4. Special Research Fund and Investigation Fund

Research Fund

The total amount received for the Special Research Fund is US \$11,678,450. We received the final matching amount from the IOC on 31 May 2016. Of the total received and available for WADA research (US \$11,678,450), US \$1million is allocated to Social Science Research.

It was established that the Fund would be disbursed over a 3-year period beginning in 2015. To date, US \$2.459 million has been committed to the Science Research portion. .

The Social Science portion has yet to be committed.

The balance of the funds is invested in short term direct deposits and 2-3 year bonds. It was also noted that the funds are held in separate bank accounts and are classified as Deferred Research Funds on WADA's Balance Sheet.

Investigation Fund

In 2015, following the November Foundation Board meeting, our President asked governments to consider making contributions towards a special investigations fund. It was reported that to date WADA had received a number of commitments from governments towards this fund, and have received US\$ 445,359 and a further commitment of US\$ 200,000 bringing the total to US\$ 645,359. It was indicated by the IOC representative at the meeting that this would likely be matched by the IOC.



The importance of investigations and future investigations work was discussed in detailed. Management confirmed the hiring of a new Director to head up Intelligence and Investigation, who would come on board at the end of 2016. The creation of a new Department includes the hiring of an investigator in 2016 and two further analysts in 2017.

5. 2016 Accounts to June 30, 2016

The accounts as of June 30, 2016 were presented and reviewed by the Committee.

It was noted that as of June 30, WADA had attained 87% of total budgeted Income. WADA receives the major portion of funding within the first six months of the year, with little coming in the last half of the year, while expenditures have the opposite trend.

The expenditures to date for major events such as the ADO Symposium is on budget, while Legal/Data protection, litigation, the independent commission and other intelligence & investigations are coming in at high numbers.

Specific items noted:

Balance Sheet:

- Special Research and Investigation Funds held in separate accounts on WADA's balance sheet.

Accrued/Deferred Income: Deferred ADAMS Fund received from Korea; Deferred RUSADA Assistance fund received from Russia. The funds received are strictly for cost recovery of non-compliance. Two international experts were hired and relocated to Russia to re-develop the Russian Anti-Doping Agency (RUSADA) these funds are used for their services and other costs related to cost recovery for non-compliance. The Chairman noted the new process and indicated that the way forward was to have a cost recovery or payback for non-compliance.

Expenditures:

- Legal: Independent Commission Investigation and Intelligence/Investigation; these are non-budgeted items for 2016, and are addressed in the revised budget.
- All other expenditures were discussed in detail while reviewing the 2016 revised budget.

No other questions or concerns were raised.

6. 2016 Revised Budget

Management recommendations for the 2016 revised budget were reviewed and discussed in detail and are outlined below.

The strengthening of the US Dollar allows for a revision of the rates used from USD/CAD 1.18 in the 2016 budget to USD/CAD 1.22 on the 2016 revised budget, and the CHF/USD from 0.92 to 0.95.

Important items noted are the cost of the independent commission and the "new" investigations this year. These are unbudgeted items in the 2016 budget and to date carry costs totalling US \$419,436; it was suggested by management that investigations will be partly funded by the "special investigation fund".

Other items noted:



Income: Decrease of US \$238,931

Income budget has significantly decreased due to the additional contribution we will not receive from the Government of Russia (300,000 Euro in past years) also the Grant from Montreal International had to be revised downward due to the strengthening of the USD toward CAD. However, Interest Income was revised upward.

Executive Office: Increase of US \$8,410

Legal: Increase of US \$408,078

As mentioned, the Legal department requires additional funds to cover the independent commission, as well as the Sochi investigation costs. The budget allocated to the Sochi (and other) investigation is US \$500,000 of which US \$125,000 will be allocated from the "special investigation funds" received to date.

In 2017, the Legal department will be divided and a new department, Intelligence & Investigations will be created.

Finance: increase of US \$30,834

Hiring and training new staff to replace retiring staff member; Increase in accounting software maintenance costs for new accounting system.

Education: decrease of US \$65,305

Decrease in the RADO Program Development and the RADO Conference costs came in lower than anticipated.

Information and Communication: increase of US \$49,369

Increase in Media Relations and the Olympic Games.

Health and Medical: Increase of US \$2,852

Science and Research Decrease of US \$154,960

Overall decrease in meeting costs and the salary line due to the USD/CAD exchange rate.

Standard and Harmonization: decrease of US \$86,751

Decrease in salaries; salaries for new hires lower than budgeted.

Information Technology Increase of US \$510,136

The major increase in expenditures in this department is the potential cost of severing the contract with R3D (New ADAMS developer) total potential cost US \$660,107.

Operational Costs: increase of US \$375,909

The overall operational costs have increased slightly due to the repatriation costs of the (former) DG and the new hires.

However the major portion of the increase is due to the write off of assets; New ADAMS (nADAMS) 828K, PlayTrue app 21K, GP Finance software 81K. The amount is somewhat offset by the decrease in depreciation expense.

An important discussion on the status of the development of New ADAMS took place. Management announced with regret that the Capital Investment of New ADAMS has halted and there are to be asset write-offs on a portion of the capital expenditures done to date.

The Director General began the discussion explaining the status of the project of developing New ADAMS. An internal IT audit took place to evaluate the developers' status of the project. The developer stated that 60 percent of the project was delivered by the first quarter of 2016,



whereas our internal audit found that only 20 percent of the project was delivered. An immediate termination of the developer followed and the project was halted.

A new external audit has been outsourced to evaluate the development to date and what can be salvaged and incorporated into any new development. The write-off of assets budgeted in 2016 consists of current 2016 invoices from original developer not paid, and 50% of 2015 development is estimated not to be compatible with new development. These are conservative estimates and will be confirmed once the external audit/evaluation is finalized.

In summary, in spite of all changes to the revised budget, there is a zero impact on the unallocated cash reserves, with the exception of the use of the special investigation fund of US \$125,000.

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

7. 2017-2019 Draft Budget

Review of 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.

2017 Draft Budget with forecasted 2018-2019 Budgets

Management submitted four scenarios for the 2017 Draft Budget to the Finance and Administration Committee for their review and discussion.

The four scenarios were:

- 0% budget scenario which posts a drain on cash reserves of US \$1.887 million
- 3% budget scenario which posts a drain on cash reserves of US \$1.055 million
- 4% budget scenario which posts a drain on cash reserves of US \$778K
- 5% budget scenario posts a US \$156.00 drain on cash reserves

It is apparent that the 5% scenario is the amount of contributions needed to sustain WADA activities and to comply with WADA's internal policy of not draining cash reserve of more than US \$500K.

2017 Budget Expenditure Highlights:

Total US \$1,509 million

- New Department – Intelligence & Investigation (running costs US \$881K)



- TUE Symposia – US \$95K
- ADO Symposia – increase of US \$93K
- Reinstatement of Travel Costs US \$440K for 2017 (lower than anticipated due to meeting costs covered by host in 2017 – Korea)

2017 Income Budget Increase:

5% over 2016 contribution Income US \$1,415 million

- *Increase in contribution income does not cover the highlighted expenditure items (1509-1415=94k shortfall)*

Management illustrated the activities that would need to be cut under the 0% and 3% scenarios. The biggest cuts would be to research and to the development of nADAMS which would delay the deployment of ADAMS.

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

The following items were noted:

Salary Compensation:

The Committee members discussed how salary increases were derived and disbursed. It was brought to the attention of the Committee that a Remuneration Committee is now in place.

Reinstatement of Member Travel Costs:

A discussion ensued on the validity of reinstating member travel cost. Members representing Governments questioned if there was an agreement to reinstate travel costs. The Chairman indicated that Sports strongly believes it is wrong to have members pay for their travel. He also indicated that Sport accepted provisionally to have member pay for their travel, and that it was not a matter of money but principle. It was felt that it would render the organization independent and members would be more “WADA People” around the table and more accountable to WADA. It was noted that the travel costs make up approximately 2% of the budget, therefore the increase sought can be reported as 2% reinstatement of travel costs and 3% increase in funding for activities.

Recommendation: It was agreed to present the 2017 draft budget with a 3% increase in contribution income, plus the reinstatement of travel cost.

Athlete Committee Meeting:

It was questioned why two meetings are held for this Committee. Management responded that the reason for this is to ensure the athletes are as engaged as possible in our mission. This is done through these committee meetings and is vital for WADA to hear the athlete’s voice.

RADO/NADO Relations:

A Committee member noted that the budget for this line item is significant and questioned if there was room for savings.

Management noted the good work done with RADOs to date. There are 16 RADOs across 125 countries. WADA provides grants to assist with the hiring of permanent staff to ensure that the



respective RADOs are operating effective anti-doping programs. In 2017, eight RADOs will receive funding from the staffing grant. There will also be RADO staff training, RADO testing grants and NADO development programs. Management will look at providing a report to this committee at next year's meeting to quantify/measure return.

After much discussion the Committee submitted the following recommendations:

2017 Draft Budget: Present three scenarios for the 2017 draft budget.

- Zero (0) % increase: -2% in Contribution Income with 2% reinstatement of member travel cost
- Three (3) % increase: 1% in Contribution Income with 2% reinstatement of member travel cost
- Five (5) % increase: 3% in Contribution Income with 2% reinstatement of member travel cost

2018-2019 Forecast Budgets: Present two scenarios for the forecast budgets.

- Three (3) percent increase
- Five (5) percent increase

In conclusion, the Committee recommends the 2017 budget, once revised with the above criteria, to the Executive Committee for further recommendation to the Foundation Board.

8. 2015-2019 Forecast

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.

The cash projection clearly shows that a 5% increase will ensure we have sufficient funds to see the Agency through to 2018-2019, and with sufficient reserves to increase operations reserves in 2019 at the 5% level.

9. Investments Overview

WADA continues to follow its policy of Low-risk investments, and invests solely on the recommendation of its investment bankers and financial advisers.

WADA has 1.922 million in Bond investments with UBS SA (in USD and EUR currencies) and 7.750 million with Lombard Odier (in USD currencies). These bonds bear interest rates ranging from 1.05% to 2.75% and mature from July 2016 to February 2022. The bonds are composed of Corporate bonds and Banking institution bonds. All are capital guaranteed at maturity date. Also important to note, 100% of the bonds are rated higher than BB- per our policy.

The Committee reviewed WADA's investments and noted that bonds invested are still performing at expected levels.

10. General Business

Two points were discussed and brought forward:

- 1) It was noted from a member that this Committee should analyse and report to the President on finding alternative means of financing for WADA.



- 2) Governments should be approached to open discussions on revisiting the share split of all regions. It was felt that it was time to recalibrate" the share split of the regions and each country within the regions.

11. Future Meeting

A future meeting date and place in 2017 was not established, however, tentative dates will be proposed to the Committee shortly.
