

To the Board of Trustees of
International Testing Agency - ITA, Lausanne

Basle, 8 July 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of International Testing Agency, which comprise the balance sheet, income statement and notes for the period from 28 February 2018 to 31 December 2018.

Board of Trustees' responsibility

The Board of Trustees is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the deed of foundation. 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 Board of Trustees 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 law and 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 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 31st December 2018 comply with Swiss law and the deed of foundation.

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 83b paragraph 3 Swiss Civil Code (CC) in relation with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 83b paragraph 3 CC in relation to 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 financial statements according to the instructions of the Board of Trustees.

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

Ernst & Young Ltd

Licensed audit expert
(Auditor in charge)

Licensed audit expert

Enclosure

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



INTERNATIONAL TESTING AGENCY
Financial Statements
As of December 31, 2018

BALANCE SHEET AS OF 31 DECEMBER 2018

		31.12.2018
		CHF
Notes ASSETS		
1.0)	Cash and cash equivalents	4'620'155
1.1)	Account receivables	1'290'105
1.2)	Other current receivables	257'521
1.3)	Accrued income and prepaid expenses	118'538
	Total current assets	6'286'319
	<i>AS % OF TOTAL ASSETS</i>	95%
	Deposits guarantees	105'825
	Other tangible fixed assets	241'954
1.4)	Total non-current assets	347'779
	<i>AS % OF TOTAL ASSETS</i>	5%
	TOTAL ASSETS	6'634'098
		31.12.2018
		CHF
EQUITY AND LIABILITIES		
1.5)	Account payables	584'293
1.6)	Other current liabilities	343'170
1.7)	Deferred income and accrued expenses	1'678'109
	Provision for untaken holidays	53'031
2.4)	Current provisions	3'475'495
	Total current liabilities	6'134'098
	<i>AS % OF TOTAL LIABILITIES</i>	92%
	Total liabilities	6'134'098
	<i>AS % OF TOTAL LIABILITIES</i>	92%
	Undesignated Reserve	500'000
	Total equity	500'000
	<i>AS % OF TOTAL LIABILITIES</i>	8%
	TOTAL EQUITY AND LIABILITIES	6'634'098

INCOME STATEMENT 2018

Notes INCOME STATEMENT	28.02.2018 - 31.12.2018
	CHF
2.0) Sales Service Fees	822'987
2.0) Sales Testing fees / sample collection recharges	1'072'765
2.0) Cost of services recharged	-1'073'992
	821'760
Gross Margin	821'760
<i>GROSS MARGIN AS % OF REVENUE</i>	<i>100%</i>
2.1) Personnel expenses	-1'096'683
2.2) Other operating expenses	-737'754
Marketing & Communication	-22'601
Office Rent + Cleaning	-43'357
Office supplies & IT	-125'701
Professional Services Fee	-472'498
Travel & Accommodation Costs	-71'916
Other expenses	-1'681
	-1'012'677
Earnings before interest, tax, depreciation and amortization (EBITDA)	-1'012'677
<i>EBITDA AS % OF REVENUE</i>	<i>-123%</i>
1.4) Amortization, depreciation and impairment of non-current assets	-69'837
	-1'082'514
Earnings before interest and tax (EBIT)	-1'082'514
<i>EBIT AS % OF REVENUE</i>	<i>-132%</i>
2.3) Financial cost	-107'734
2.3) Financial income	203'899
	-986'349
Operating Results before taxes	-986'349
<i>OPERATING RESULTS AS % OF REVENUE</i>	<i>-120%</i>
2.3) Non-operating expense	-300'000
2.3) Non-operating income	5'161'844
2.4) Provision for upcoming costs	-3'475'495
	400'000
Net Income before attribution to Undesignated Reserve	400'000
<i>NET INCOME/LOSS IN % OF REVENUE</i>	<i>49%</i>
2.4) Attribution to Undesignated Reserve	-400'000
	-
Net Income	-
<i>NET INCOME/LOSS IN % OF REVENUE</i>	<i>0%</i>

CASH FLOW STATEMENT 2018

CASH FLOW STATEMENT	2018
	CHF
Net Income before Olympic Movement Contribution and after allocation to undesignated reserves	-4'383'575
Amortization, Depreciation and Impairment of Non-current Assets	69'837
Change in Net Working Capital	
Change in Trade receivables	-1'290'105
Change in Other receivables	-257'521
Change in Accrued income and Prepaid expenses	-118'538
Change in Trade payables	584'293
Change in Other payables	343'170
Change in Provision for untaken holidays	53'031
Change in Deferred income and Accrued expenses	1'678'109
Change in Current Provision	3'475'495
Cash flow from Operating activities	154'196
Investments in tangible fixed assets	-311'791
Investments in financial assets	-105'825
Cash flow from Investing activities	-417'616
Cash received from initial statutory capital	100'000
Cash flow from Financing activities	100'000
Change in net cash and Cash equivalents excl. Contribution	-163'420
Olympic Movement Contribution	4'783'575
Change in net cash and Cash equivalents	4'620'155
CHANGE IN NET CASH AND CASH EQUIVALENTS	
As of 1 January 2018	-
As of 31 December 2018	4'620'155
Change in net cash and Cash equivalents	4'620'155

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

ORGANIZATION

The International Testing Agency (ITA) is an international organization constituted as an independent not-for-profit Swiss foundation, located in Lausanne (Switzerland). It manages anti-doping programs for International sports Federations (IFs), Major Event Organizers (MEOs) and Anti-Doping Organizations (ADOs) that wish to delegate their anti-doping activities to a body that implements high quality anti-doping programs with increased transparency and independence.

ITA's mission is to reinforce the fight against doping by bringing together expertise and helping IFs and MEOs fulfil their duties under the World Anti-Doping Code.

Foundation Number: 7349

Last Status: 20.12.2017

FOUNDATION BOARD

NAME	POSITION	ROLE
Fourneyron Valérie	Board President	Independent Chair
Chen Peijie	Board Member	Independent Member
Coventry Kirsty	Board Member	Athlete Committee representative
Erdener Ugur	Board Member	IOC representative
Ricci Bitti Francesco	Board Member	International Federation representative
Cohen Benjamin	Board Secretary	Director General

INCORPORATION DATE

The ITA having been incorporated on February 28th 2018, the accounting period covers February 28th 2018 to December 31st 2018.

STATUTORY AUDITOR

The Foundation Board designated Ernst & Young as auditing body of the Foundation on January 18th 2018.

SUMMARY OF ACCOUNTING POLICIES

The financial statements of the ITA were prepared according to the provisions of the Swiss Code of Obligations (CO 957-963).

FOREIGN CURRENCIES

In the Income Statement, the transactions in foreign currencies were posted at the average exchange rate of the month published by the Swiss Tax Authorities (AFC).

In the Balance Sheet, the balances were calculated using the exchange rates from the AFC as of December 31, 2018.

The foreign currencies exchange rates against CHF on December 31, 2018:

USD/CHF	0.985785
EUR/CHF	1.12690

1.0) CASH

Cash consists of cash held in bank accounts in CHF, USD and EUR.

1.1) ACCOUNT RECEIVABLES

The account receivables consist of reinvoiced third party costs (775k), which are expenses paid by ITA on behalf of its partners to cover testing activities including but not limited to laboratory analysis, sample collection and shipment, and contractual ITA Management fees (426K). No provision on doubtful debtors was posted at year end. The management assessed that the open positions do not present recoverability risk.

Aging Analysis (in days)	Value in CHF
0-30	CHF 1'095'649
31-60	CHF 18'851
61-90	CHF 175'605

1.2) OTHER CURRENT RECEIVABLES

Other current receivables are made of advance payments regarding social charges for employees' pension (LPP).

1.3) ACCRUED INCOME AND PREPAID EXPENSES

Accrued income for ITA Management fees (CHF 59k), third-party costs related to un-reinvoiced testing fees (CHF 40k), and prepaid expenses for January 2019 rent are included under this section.

1.4) NON-CURRENT ASSETS

Non-current assets are composed of a deposit guarantee for the rental of ITA's office and other tangible fixed assets including the office furniture and IT equipment as shown in the tables below.

Furniture, IT equipment and leasehold improvements owned by ITA are recorded at cost.

Depreciation is charged using the straight-line method based on estimated useful lives of the assets generally estimated at 3 years for IT Equipment and 5 years for leasehold improvements and furniture.

Fixed Assets at Cost value [in CHF]				
	opening bal.	acquisition	disposal	closing bal.
Leasehold improvements	-	50'130	-	50'130
Furniture, fixtures and office equipment	-	205'570	-	205'570
IT equipment	-	56'091	-	56'091
Total:	-	311'791	-	311'791

Accumulated depreciation [in CHF]				
	opening bal.	depr exp.	depr rev.	closing bal.
Leasehold improvements	-	-10'026	-	-10'026
Furniture, fixtures and office equipment	-	-41'114	-	-41'114
IT equipment	-	-18'697	-	-18'697
Total:	-	-69'837	-	-69'837

Fixed Assets Net Value [in CHF]		
	opening bal.	closing bal.
Leasehold improvements	-	40'104
Furniture, fixtures and office equipment	-	164'456
IT equipment	-	37'394
Total:	-	241'954

1.5) ACCOUNT PAYABLES

Account Payables mainly consist of payable testing costs such as sample collection fees and laboratory analysis fees.

1.6) OTHER CURRENT LIABILITIES

Other current liabilities include VAT to be paid.

1.7) DEFERRED INCOME AND ACCRUED EXPENSES

Deferred income and accrued expenses mainly consist of deferred 2019 revenues perceived in 2018 related to Management fees & Third-party variable costs.

2.0) INCOME STATEMENT ANALYSIS

	2018
2.01) Sales Service Fees	CHF 822'987
2.02) Sales Testing fees / sample collection recharges	1'072'765
2.02) Cost of services recharged	-1'073'992
Gross margin	CHF 821'760

2.01) Sales Service Fees represent ITA's revenue and consist of Management Fees for services performed by ITA employees. Sales Service Fees are composed of CHF 553K IF Contracts and CHF 269K IOC Reanalysis.

2.02) The Sales Testing fees / sample collection recharges and Cost of services recharged are split by nature of service for a better understanding of what constitutes the Gross Margin (see table below).

	2018
Sales Service Fees	CHF 822'987
Sales Testing fees / sample collection recharges Out of Competition (OOC)	598'888
Purchased testing fees / sample collection charges OOC	-598'268
	620
Sales testing fees / sample collection recharges In Competition (IC)	249'977
Purchased testing fees / sample collection charges IC	-250'630
	-653
Sales testing fees re-analysis	131'993
Purchased testing fees re-analysis	-131'993
	-
Sales ABP Athlete Biological Passport	89'607
Purchased ABP Athlete Biological passport	-89'598
	9
Sales TUEs Therapeutic Use Exemptions	2'300
Purchased TUEs Therapeutic Use Exemptions	-3'503
	-1'203
Gross margin	CHF 821'760

The different sales accounts are used to re-invoice the third-party costs and should be balanced by its respective cost account. The differences between the third-party costs and the related re-invoiced revenues are explained by exchange rate differences.

2.1) PERSONNEL EXPENSES

	2018
Salaries	-893'639
Social security costs	-75'481
Pension costs - defined benefit plans	-58'267
Other personnel costs	-69'296
Total Personnel Expenses	CHF -1'096'683

Personnel expenses reflect the cost of salaries and social charges for ITA employees. On December 31, 2018 the ITA employed 17 employees (16.6 Full Time Employees). The average FTE by month is shown in the table below and represent an average FTE of 6.8 for 2018.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	AVG
-	-	-	-	-	1.7	8.7	11.7	11.7	15.7	15.7	16.6	6.8

2.2) OTHER OPERATING EXPENSES

	2018
Marketing & Communication	-22'601
2.21) Office Rent + Cleaning	-43'357
Office supplies & IT	-125'701
2.22) Professional Services Fee	-472'498
Travel & Accommodation Costs	-71'916
Other expenses	-1'681
Total Other Operating Expenses	CHF -737'754

2.21) The ITA pays an office rent of CHF 18'995.60 per month but due to damages to the building caused by the bad weather during summer 2018, the rent was offered until November 2018.

2.22) The Professional Services Fee are mainly composed of:

- CHF 230K – Setup of ITA and 2018 Audit
- CHF 120K – Data privacy, Cybersecurity, and technology services
- CHF 78K – Communication and design support

2.3) NON-OPERATING INCOME & EXPENSES

	2018
Olympic Movement Contribution	4'783'575
Contribution to cover for the GAISF's DFSU transfer costs	300'000
Subvention from Lausanne City & Vaud State for office rental costs	45'550
Reimbursement of office rent	9'022
Various other income	23'697
Non-operating income	CHF 5'161'844
Cost of transfer of GAISF's DFSU Activity	-300'000
Non-operating expense	CHF -300'000
Foreign exchange gains	203'899
Foreign exchange losses	-107'734
Other Income/Expenses	CHF 96'165

ITA benefited from a contribution from the Olympic Movement that covers the set-up and the running costs for 2018 (CHF 4.7mio) as well as a lump sum to cover for the GAISF's DFSU (Global Association of International Sports Federations' Doping Free Sport Unit) activity transfer (CHF 300K). As ITA fulfilled all criteria as an international non for-profit foundation, the city of Lausanne and state of Vaud granted a subvention to cover the office rent.

The foreign exchange gains are mainly due to exchange rate differences (USD/CHF) on the Olympic Movement contribution perceived in USD.

The foreign exchange losses are mainly due to year end exchange rate losses due to reevaluation on December 31, 2018.

2.4) PROVISION FOR UPCOMING COSTS

	2018
Net Income/Loss before attribution to Provision	CHF 3'875'495
Attribution to Provision for upcoming costs	-3'475'495
Net Income after attribution to Provision	400'000
Attribution to Undesignated Reserve	-400'000
Profit carried forward	-

The Foundation Board decided to attribute CHF 3'475'495 to Provision for upcoming costs as a measure to ensure the long-term prosperity of the Foundation and increase its Undesignated Reserve by CHF 400'000 to solidify its capital base.



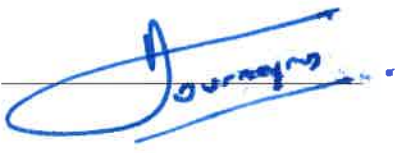
NON-CANCELLABLE DEBTS

The non-cancellable debts within 12 months following 31.12.2018 are composed of the office rental lease for a total amount of CHF 797'815.20.

TAX-EXEMPT STATUS

The tax authorities have granted the ITA a tax exemption from income and capital taxes on a communal, cantonal, and federal level.

The Foundation Board certifies that the accounts' annexes are compliant and complete.

Location & Date: Lausanne 27.06.19 Authorized Signatory: 

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