

**WADA FINANCE AND ADMINISTRATION COMMITTEE
MEETING MINUTES**

**Friday, 18 July 2014
London, United Kingdom**

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

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

APOLOGIES: None

1. Welcome and Apologies

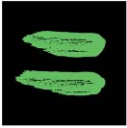
Mr. Francesco Ricci Bitti introduced himself as the new Chair of the Finance and Administration Committee and welcomed the Committee members to the International Tennis Federation's offices. Particular welcome was given to new member Cheryl Gibson and IOC observer Lana Haddad. The Chairman also welcomed WADA President Sir Craig Reedie.

2. 2013 Audited Accounts and Internal Memorandum

The 2013 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 2014 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 2013

It was noted that the percentage of contribution received as of 18 July 2014 was lower than that received at the same time last year. The percentage contribution received by 18 July 2014 was 90.17 percent of total contributions, whilst last year at this time, the Agency had received 93.23 percent. Some concerns were raised, particularly in the Americas and Europe.



The Americas had attained 78.91 percent of contribution compared to 84.46 percent last year at this time. It was noted that Latin American contributions are usually received during the third quarter of the year. These countries include Mexico, Brazil, Argentina, and Venezuela, all of which have yet to pay the 2014 dues.

The low rate of collection for the Africa region was also noted. It was mentioned that South Africa, which normally pays above the invoiced amount to cover many other countries' contributions, had not yet paid the 2014 dues.

From the European region, the concern was that Austria, Portugal and Ukraine had not paid the 2014 contribution at the time of this meeting. It was stated that reminders would be sent.

It was asked why the IOC contribution received to date is lower than the Public Authorities' collection. In response, it was stated that the IOC contributes 90 percent of the current year's budget by June 30 regardless of Public Authorities contributions received. The IOC will then match all Public Authorities' contributions received to a maximum of 100 percent of the current year's budget. It was also noted that the higher level of contributions received from Public Authorities were from additional voluntary contributions.

Additional contributions received from Public Authorities were noted.

4. 2014 Accounts to June 30, 2014

The accounts as of June 30, 2014 were presented and reviewed by the Committee.

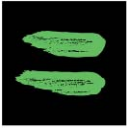
Specific items noted:

Income:

- Additional Income received from Public authorities: JADA (Asia RADO); City of Lausanne (ADO Symposium) and the Russian Federation. Thanks were extended for the extra support given to WADA.
- The substantial contributions received from previous years were noted, particularly as contributions received as at December 31, 2013 were at the lowest rate of collection since 2009. Total contribution received to July 2014 for the 2013 collection year stands at 99.9 percent of budgeted contribution.

Expenditures:

- Sochi Olympic Games: it was noted that actual expenses for the Olympic Games came in below budget. The benefit from this budget line will be reflected on the revised budget.
- Executive Committee and Foundation Board Meetings: Costs are higher than anticipated, as several countries requested to have their travel costs met by WADA. Also, the cost of the President and Vice President are covered by WADA but were not budgeted. This is addressed in the revised budget.
- Information Management: Investigation costs are coming in higher than expected as a result of the increased workload in this area. Adjustment done on revised budget.
- Information and Communication: The Communication Audit was not a budgeted project for 2014, however all members were of the opinion that it was a necessary undertaking and a good project to have done.
- Science and Research: The importance of research to WADA was discussed with the Committee. It was pointed out that 66.5 million dollars has been budgeted for research over the years.
- Standards and Harmonization: it was noted that the SportAccord Grant was over budget, and the reason is due to currency exchange differences. It was also stated that the SportAccord



Grant agreement was extended for an 18-month period beginning in July 2014 and is adjusted on the revised budget.

- Compliance Testing: the percentage of expense over budget is above the mid-year mark due to timing issues. It was suggested this budget line might benefit from a change in description to avoid confusion.
- IT: expenditures are on target and no major issues were observed on the IT operations.
- Operations: the only item of mention is the recruitment and relocation costs that is foreseen for this year but not yet fully incurred. Additional costs are projected on the revised budget.
- Capital Expenditure: the largest investment is the continuous development of ADAMS as well as the new Web site. It was noted that only 30 percent of the capital budget was incurred to date, and responded that projects are moving forward however the cash outlay has yet to occur.
- Regional Offices: all regional office expenditures are inline. 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 next year and the budget will be increased.

No other questions or concerns were raised.

5. 2014 Revised Budget

The 2014 revised budget was discussed and reviewed in detail. A discussion took place on the additional income received, and as last year it was felt that as long as the revised budget does not increase the deficit approved by the Foundation Board in November, the funds should be allocated as needed.

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

Income was increased by US \$348,284 due to contributions received from 2013 dues and additional grants received from Public Authorities.

It was noted that the 2013 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 21, 2013; therefore the IOC obligation to the 2013 budget is complete.

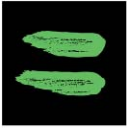
Total expenditures were reduced marginally. Adjustments were done between individual departments as needed to carry out activities. The largest savings comes from the decrease in the salary line for Standards and Harmonization as the staffing increase timeline has not occurred as budgeted. Depreciation expense increased due to the increase in capital expenditures over the past few years. Capital expenditure was increased to allow for new ADAMS requirement gathering and RPF development, as well as additional costs for the Anti-Doping Results Questionnaire (ADRO) project and the new accounting software.

In summary, the additional Income will be allocated to capital investment, and a surplus of cash reserves of US \$128,000.

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

6. 2015 Draft Budget

The budget assumptions are: contribution increase is to be no less than 3 percent to enable WADA to achieve its two core activities: the development of the New ADAMS (phase 1 in 2015) and the implementation of the 2015 Code. As WADA has approximately three months of operation reserves, prudent management requires that depletion of unallocated cash reserves is not to exceed US \$500,000 to fund a budget deficit.



The first draft of the 2015 budget posted a loss of US \$320,946 and a drain on unallocated cash of 2.25 million due to capital investments. It was brought to the Committee member's attention that WADA cannot sustain a drain on cash reserves of this level. Hence the constraint on the depletion of cash reserves to not to exceed US \$500,000.

Four options were therefore presented to the Finance Committee for the 2015 Draft Budget whilst respecting the budget criteria of not exceeding US \$500,000 cash reserve depletion. The range of options were: 3 percent contribution increase with external funding for the new ADAMS development; 3 percent contribution increase without external funding for the new ADAMS and 4 and 5 percent contribution increase without external funding and with the same level of cash depletion.

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

Specific items noted:

- The increase in staff numbers was noted. The staffing increase that was due to begin in 2014 has not been completed and will be carried over to 2015. The increase in staffing is due to the implementation of the 2015 Code.
- The cost for the 2015 Code implementation is budgeted at US\$ 2,040,000 (including staff and activities). As a core activity for WADA in 2015, the funding clearly impacts the budget thus reductions in other areas of the budget were required.
- Research Grants and Litigation budgets were reduced to cover the cost of the Code implementation as well as the development of the new ADAMS whilst respecting the budget criteria.
- The cuts in Research Grants and Litigation budgets were discussed in detail. Management felt that should there be excessive litigation costs incurred in 2015, they would be covered by the dedicated litigation reserve, therefore could justify the reduction in the litigation budget. Committee members were in agreement with this reasoning and the budget reduction.
- The Research Grant cuts were also discussed and debated at length. Once again Management felt that this area could sustain a reduction in the budget this year as there is a small unallocated budget reserve from previous years.
- There was also a discussion on the IOC Research fund commitment. It is a commitment to fund a US \$10 million Public Authority Matching Research fund. It was noted that WADA has received interest from Public Authorities; however WADA must receive firm commitments from Public Authorities by November 2014 to receive matching funding.
- The cost of the New ADAMS was discussed and reviewed in detail: it was noted that the total cost of the project over a two-year period is estimated at \$3.4 million. It is based on an in house estimate however it was noted that a Request for Proposal (RFP) will be prepared and a more accurate estimate would be provided to the Executive Committee in September. It was also noted that a proposal for an intelligence platform, as a separate project from the new ADAMS had been received and the cost estimate was \$3.2 million. Management felt that for a slight increase in cost of the development for the new ADAMS, the investigation platform and the universal interface could be developed and integrated together.
- There was a discussion of a lower contribution increase by Committee members and it was clearly stated the research budget would be severely cut and would not recover if the IOC and matching funds were not forthcoming.

After much discussion the Committee submitted the following recommendations:

- 1) Present a 3% budget increase and a drain on cash reserves of no more than US \$500,000 to the Executive Committee;



- 2) Approve the development of a New ADAMS which includes the Investigation Platform and the Universal Interface;
- 3) Approve budget reductions in major areas such as litigation expenses and research to fund Capital Investment of the New ADAMS;
- 4) The present drain on unallocated cash is acceptable, however further depletion should be limited; and
- 5) The research budget be carefully examined in 2015 once the position in relation to ADAMS and the special IOC fund are realised.

In conclusion, the Committee reviewed the 2015 draft budget and recommended the budget to the Executive Committee for further recommendation to the Foundation Board.

7. 2013-2016 Forecast

The cash forecast for 2013-2016 clearly shows the drain on unallocated cash reserves if capital investment is to be funded by cash reserves. The constraint of depleting cash reserve of no more than US\$ 500,000 allows WADA to maintain reserves at a reasonable level for a further year. The Committee was of the view that the unallocated cash could be allocated to subsidize capital investment or a reasonable deficit, however these funds should be used with caution to ensure WADA has sufficient cash reserves going forward.

8. Investments Overview

The Committee reviewed WADA's investments and some concerns were raised on the stability of the bond market. It was noted that bonds invested are still performing at expected levels, however for future investments in the bond market WADA will have to have ensure that cash management allows the bond to be kept to maturity. WADA continues to follow its policy of no-risk investments, and invests solely on the recommendation of its investment bankers.

It was also noted that a written Investment Policy will be provided to the Finance Committee.

9. Other Business

WADA President, Sir Craig Reedie has stated that he seeks to ensure that WADA continues its international status and thus will seek to hold the September Executive meeting and the November Board Meeting out of Montreal. To date, the September 2014 meeting will be held in Lausanne, Switzerland and the November 2014 meeting will be held in Paris, France. It was also mentioned that the November 2015 Foundation Board meeting will be held in Colorado Springs, USA.

10. Future Meeting

A future meeting date and place in 2015 was not established, however, tentative dates will be proposed to the Committee.
