

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**United States Olympic Committee**

December 31, 2018 and 2017

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
United States Olympic Committee

We have audited the accompanying consolidated financial statements of the United States Olympic Committee and subsidiaries (the “Committee”), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year ended December 31, 2018, and the related notes to the financial statements.

### Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the United States Olympic Endowment (“USOE”), which reflect 49.6 percent and 50.9 percent of the Committee’s total assets as of December 31, 2018 and 2017 respectively, and zero percent of the Committee’s total revenues for the year ended December 31, 2018. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the USOE, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Committee's preparation and fair presentation of the consolidated 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 Committee's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Olympic Committee and subsidiaries as of December 31, 2018 and 2017, their changes in net assets, their functional expenses and their cash flows for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

#### Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on schedules 1-4 is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and is not a required part of the consolidated financial statements. The consolidating supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Grant Thornton LLP*

Denver, Colorado

July 2, 2019

## Consolidated statements of financial position

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
	(In thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 204,916	\$ 179,012
Restricted cash, cash equivalents and investments	19,412	17,428
Investments	270,526	255,727
Accounts receivable, net		
Pledges	2,938	3,709
Royalties and marks-rights	9,819	16,064
Other	7,878	12,085
Prepaid expenses and other assets	11,957	13,687
Inventories, net	1,656	1,639
Investments held for deferred compensation arrangements	1,146	1,304
Land, buildings, and equipment, net	63,895	70,576
Total assets	<u>\$ 594,143</u>	<u>\$ 571,231</u>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 28,064	\$ 23,989
Assets held on behalf of others	60,159	62,964
Deferred revenue	36,736	44,827
Deferred compensation arrangements	1,146	1,304
Total liabilities	<u>126,105</u>	<u>133,084</u>
Net assets		
Net assets without donor restrictions	443,037	417,032
Net assets with donor restrictions		
Restricted as to purpose or time	7,240	4,585
Restricted in perpetuity	17,761	16,530
	<u>25,001</u>	<u>21,115</u>
Total net assets	468,038	438,147
Total liabilities and net assets	<u>\$ 594,143</u>	<u>\$ 571,231</u>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of activities

	Year ended December 31, 2018	Two-year period ended December 31, 2018
	(In thousands)	
Change in net assets without donor restrictions		
Support and revenue		
Sponsorship and licensing	\$ 144,945	\$ 291,821
Broadcast revenue	121,798	127,031
Contributions, net	23,256	38,829
Other program revenue	6,463	13,423
Investment (loss) income	(4,591)	26,377
Other revenue	3,734	4,550
Net assets released from restrictions - satisfaction of purpose / time restrictions	557	7,407
Total support and revenue	<u>296,162</u>	<u>509,438</u>
Expenses		
Program services		
High performance programs	110,006	210,208
Olympic and paralympic competitions	27,168	30,412
Athlete training facilities	28,869	55,966
Athlete and NGB foundational programs	23,094	41,898
Team USA media and promotion	21,884	43,757
Total program services	<u>211,021</u>	<u>382,241</u>
Supporting services		
Fundraising	11,837	21,952
Sales and marketing	15,510	28,149
General and administrative	31,789	47,172
Total supporting services	<u>59,136</u>	<u>97,273</u>
Total expenses	<u>270,157</u>	<u>479,514</u>
Change in net assets without donor restrictions	<u>\$ 26,005</u>	<u>\$ 29,924</u>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of activities

	Year ended December 31, 2018	Four-year period ended December 31, 2018
	(In thousands)	
Change in net assets without donor restrictions		
Support and revenue	\$ 296,162	\$ 509,438
Expenses	270,157	479,514
Change in net assets without donor restrictions	<u>26,005</u>	<u>29,924</u>
Change in net assets with donor restrictions		
Contributions	2,263	9,514
Pledges	2,538	586
Investment (loss) income	(358)	1,113
Change in accounting treatment for contributions	-	(25,250)
Net assets released from restrictions - satisfaction of purpose / time restrictions	<u>(557)</u>	<u>(7,407)</u>
Change in net assets with donor restrictions	<u>3,886</u>	<u>(21,444)</u>
Change in net assets	29,891	8,480
Net assets, beginning of period	438,147	459,558
Net assets, end of period	<u>\$ 468,038</u>	<u>\$ 468,038</u>



## Consolidated statement of functional expenses

Year ended December 31, 2018											
Program services											
High Performance Programs											
High Performance Grants	High Performance Management	Sports Medicine	Sports Science	Other High Performance Programs	Total High Performance Programs	Olympic and Paralympic Competitions	Athlete Training Facilities	Athlete and NGB Foundational Programs	Team USA Media and Promotion	Total	
(In thousands)											
Salaries	\$ 1,415	\$ 3,647	\$ 1,895	\$ 2,830	\$ 928	\$ 10,715	\$ 1,008	\$ 4,369	\$ 3,293	\$ 3,802	\$ 23,187
Fringe benefits	433	670	519	859	256	2,737	230	1,149	837	890	5,843
Temporary help	-	27	116	98	48	289	150	317	67	297	1,120
Travel expense	2,405	367	326	255	379	3,732	6,451	109	913	837	12,042
Conferences and seminars	33	48	108	15	217	421	1	25	129	121	697
Dues and subscriptions	9	5	39	7	422	482	42	11	41	115	691
Grants	76,507	(2)	3,893	-	700	81,098	5,000	35	8,953	3,148	98,234
Games event expense	424	12	-	1	13	450	7,074	12	4	12	7,552
Food service expense	8	2	1	21	1	33	202	1,545	3	2	1,785
Insurance	88	29	108	-	-	225	2,780	333	-	42	3,380
Postage, freight, and handling	20	4	5	7	6	42	1,003	7	52	24	1,128
Professional	953	506	597	801	411	3,268	124	122	2,572	566	6,652
Promotional expense	5	-	-	-	27	32	64	77	186	726	1,085
Public information	-	-	-	-	-	-	3	-	-	6,952	6,955
Supplies	51	41	206	264	225	787	378	406	52	69	1,692
Vehicle expense	35	-	39	20	-	94	-	182	-	-	276
Miscellaneous	6	7	11	6	22	52	27	48	65	150	342
Outside services	52	17	144	97	10	320	266	229	4,724	1,141	6,680
Rent expense	39	1	94	30	-	164	1,110	4,767	18	110	6,169
Repairs and maintenance	-	-	199	31	(1)	229	3	209	-	18	459
Taxes	29	15	4	2	-	50	1	24	14	-	89
Utilities	19	51	22	37	9	138	234	158	23	70	623
Depreciation	104	23	467	209	-	803	141	2,172	-	516	3,632
Shared services allocations	449	1,067	869	1,097	363	3,845	876	12,563	1,148	2,276	20,708
Total	\$ 83,084	\$ 6,537	\$ 9,662	\$ 6,687	\$ 4,036	\$ 110,006	\$ 27,168	\$ 28,869	\$ 23,094	\$ 21,884	\$ 211,021

(continued on next page)

## Consolidated statement of functional expenses

Year ended December 31, 2018									
Supporting services									
	USOC Fundraising (b)	USOPF Fundraising (b)	USOC Sales and Marketing	USOC General and Administrative	USOPF General and Administrative (a)	USOE General and Administrative (a)	Shared Services	Total	Total Expenses
	(In thousands)								
Salaries	\$ 4,432	\$ -	\$ 2,975	\$ 9,063	\$ -	\$ 183	\$ 5,369	\$ 22,022	\$ 45,209
Fringe benefits	984	-	675	1,638	-	38	1,554	4,889	10,732
Temporary help	51	-	57	33	-	-	213	354	1,474
Travel expense	-	432	2,172	977	96	45	305	4,027	16,069
Conferences and seminars	-	25	38	134	-	-	127	324	1,021
Dues and subscriptions	-	31	118	152	-	4	166	471	1,162
Grants	-	-	-	-	-	-	-	-	98,234
Games event expense	-	369	230	14	-	-	-	613	8,165
Food service expense	-	-	64	3	-	-	-	67	1,852
Insurance	-	-	44	733	53	21	-	851	4,231
Postage, freight, and handling	-	832	71	18	1	1	22	945	2,073
Professional	-	629	1,695	14,605	-	61	745	17,735	24,387
Promotional expense	-	422	2,804	45	47	50	-	3,368	4,453
Public information	-	26	5	-	-	-	-	31	6,986
Supplies	-	21	73	332	1	8	1,325	1,760	3,452
Vehicle expense	-	-	2	3	-	-	33	38	314
Miscellaneous	-	239	21	101	49	75	(26)	459	801
Outside services	-	2,164	2,038	206	93	-	2,274	6,775	13,455
Rent expense	-	158	1,147	30	6	6	655	2,002	8,171
Repairs and maintenance	-	-	12	16	-	-	6,085	6,113	6,572
Taxes	-	-	28	11	12	328	9	388	477
Utilities	-	27	62	48	9	6	2,253	2,405	3,028
Depreciation	-	-	110	1	-	3	4,189	4,283	7,915
Shared services allocations	-	995	1,069	2,212	218	-	(25,278)	(20,784)	(76)
Total	\$ 5,487	\$ 6,370	\$ 15,510	\$ 30,375	\$ 585	\$ 829	\$ -	\$ 59,136	\$ 270,157

(a) Included in total general and administrative expenses in consolidated statement of activities.  
(b) Included in total fundraising expenses in consolidated statement of activities.

## Consolidated statement of cash flows

	Year ended December 31, 2018	Two-year period ended December 31, 2018
(In thousands)		
Operating activities		
Change in net assets	\$ 29,891	\$ 8,480
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for losses on accounts receivable	671	932
Depreciation	7,915	16,596
Gain on asset disposals	-	(181)
Change in capital policy	-	25,250
Net realized gain on investments	(4,861)	(20,771)
Net unrealized loss (gain) on investments	12,200	(2,429)
Contributions and investment income restricted for investment in endowment	(423)	(2,031)
Net (withdrawals) contributions by amateur sports organizations	(938)	131
Changes in assets and liabilities		
Decrease in receivables	10,552	16,457
Decrease (increase) in prepaid expenses and other assets	1,730	(7,729)
(Increase) decrease in inventories	(17)	12
Decrease (increase) in investments held for deferred compensation arrangements	158	(139)
Decrease (increase) in accounts payable and accrued liabilities	4,092	(2,293)
(Increase) decrease in deferred revenues	(8,091)	6,830
(Increase) decrease in deferred compensation arrangements	(158)	139
Net cash provided by operating activities	<u>52,721</u>	<u>39,254</u>
Investing activities		
Purchase of investment securities	(78,205)	(217,938)
Proceeds from sale and maturities of investment securities	54,183	221,831
Changes in restricted cash and investments	(1,984)	(4,311)
Proceeds from sale of equipment	-	38
Purchase of building improvements and equipment	(1,234)	(2,254)
Net cash used in investing activities	<u>(27,240)</u>	<u>(2,634)</u>
Financing activities		
Contributions and investment income restricted for investment in endowment	423	2,031
Net cash provided by financing activities	<u>423</u>	<u>2,031</u>
Net increase in cash and cash equivalents	25,904	38,651
Cash and cash equivalents, beginning of period	179,012	166,265
Cash and cash equivalents, end of period	<u>\$ 204,916</u>	<u>\$ 204,916</u>
Supplemental cash flow information		
Value-in-kind consideration received for marks-rights and licensing royalty income included in sponsorship and licensing	<u>\$ 15,545</u>	<u>\$ 29,876</u>

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to consolidated financial statements

### **Note A – Summary of significant accounting policies**

#### **Organization**

The United States Olympic Committee (USOC) was established by an Act of Congress for the purpose of establishing national goals for amateur athletic activities and to aid in and encourage the attainment of those goals. The USOC is charged with the task of coordinating and developing amateur athletic activity in the United States, which directly relates to international amateur athletic competition. In addition, the USOC exercises exclusive jurisdiction over all matters pertaining to the participation of the United States in the Olympic, Paralympic, Pan American and Parapan American Games. The USOC also represents the United States as its National Olympic Committee in relations with the International Olympic Committee (IOC) and the Pan American Sports Organization, and as its National Paralympic Committee with the International Paralympic Committee.

The USOC is governed by a board of directors, composed of six independent directors, three members selected from individuals nominated by the National Governing Bodies' (NGB) Council, three members selected from individuals nominated by the Athletes' Advisory Council, all U.S. members of the IOC (currently three) who are ex-officio directors on the board, and the CEO as an ex-officio non-voting member. As of December 31, 2018, the board had no vacant positions.

#### **Quadrennial accounting period**

The USOC's activities are organized within a four-year cycle ending in the year the Olympic Games are held; accordingly, the consolidated financial statements include the changes in net assets and cash flows for the year ended December 31, 2018 and the two-year period ended December 31, 2018, the second year of the four-year cycle.

#### **Principles of consolidation**

The consolidated financial statements include the accounts of the USOC and the United States Olympic and Paralympic Foundation (USOPF). The USOPF is a 501(c)(3) not-for-profit corporation formed in 2013 to transform the level of philanthropic support directed to the USOC to fund America's Olympic and Paralympic athletes. The USOPF's fundraising initiatives are grounded in the USOC's mission and are designed to help American athletes achieve sustained competitive excellence. The USOC is the sole beneficiary and corporate member of the USOPF. As the sole member, the USOC approves all nominations to the USOPF board of directors. The USOC consolidates the accounts of the USOPF as a result.

In addition, the consolidated financial statements also include the accounts of the United States Olympic Endowment (USOE). The USOC consolidates the accounts of the USOE due to its deemed control of the USOE (Note C).

**Note A – Summary of significant accounting policies (continued)**

**Principles of consolidation (continued)**

In addition, the consolidated financial statements also include the accounts of USOC HOSPITALITY, SERVICOS, COMERCIO, IMPORTACAO E EXPORTACAO LTDA (Hospitality). Hospitality is a limited liability company, incorporated in Brazil in 2015. Its primary purposes were to promote development in sport and serve as agent for the USOC in Brazil in connection with the Rio 2016 Olympic Games. Hospitality also prepared and organized Rio 2016 Olympic Games related hosting and events for the USOC and USOPF. The USOC and the USOPF's ownership interests in USOC Hospitality are 99% and 1%, respectively. Due to the USOC and USOPF's combined 100% ownership, the accounts of Hospitality are consolidated with those of the USOC and USOPF. As activity related to the Rio 2016 Olympic Games has concluded, this entity had limited activity in fiscal years 2018 and 2017.

Unless noted otherwise, the "Committee" hereinafter refers collectively to the USOC and its consolidated entities.

All intercompany accounts and transactions have been eliminated in consolidation.

**Broadcast rights and related interest income**

The USOC has agreements with National Broadcasting Company (NBC) and the IOC whereby the USOC receives scheduled broadcast rights payments in exchange for allowing NBC to broadcast the Olympic Games, Olympic Winter Games and other events in the U.S. In connection with the contract discussed in Note J, for Games in the years through 2020, no cash payments will be received and broadcast rights income will not be recognized until the year the respective Games are held and certain other requirements are met, including the participation of the official U.S. Olympic Team. Nonrefundable interest on amounts held in trust (Note J) is recognized as earned. Revenue from broadcast rights and related interest income is included in broadcast revenue in the accompanying consolidated statement of activities.

**USOC marks-rights income**

Various companies enter into agreements with the IOC and the USOC for the right to use Olympic marks and terminology over the contract term, which is normally four years. In addition to receiving the right to use Olympic marks and terminology, contracts with certain sponsors also include other deliverables, such as hospitality packages at the Olympic Games and Olympic Winter Games.

Contracts with international sponsors are initially negotiated and executed by the IOC for worldwide marks-rights. Payments are allocated between the IOC and the USOC based upon the revenue-share contract between the IOC and the USOC, with each receiving approximately 80% and 20% of such payments, respectively. Contracts with domestic sponsors are negotiated and executed by the USOC for U.S. marks-rights. The IOC is not a party to these contracts and no payments are allocated to the IOC.

Cash payments for both programs are generally receivable in installments and are nonrefundable. Under certain agreements, the USOC receives payment in the form of goods and services (value-in-kind). Value-in-kind is recorded at estimated fair value and the USOC is able to request the goods and services upon need during the term of the contracts.

**Note A – Summary of significant accounting policies (continued)**

**USOC marks-rights income (continued)**

Revenue is recognized ratably over the performance period. The USOC records deferred revenue for amounts received from a sponsor in excess of revenue that has been earned, and it records a receivable once revenue has been earned but cash payments have not yet been received. As of December 31, 2018, and 2017, \$11,671,000 and \$17,150,000, respectively, was deferred for payments received but not yet earned and \$3,157,000 and \$5,168,000, respectively, were due to the USOC for revenues earned but not yet received. USOC marks-rights income is included in sponsorship and licensing revenue in the accompanying consolidated statement of activities.

Value-in-kind is recognized as revenue ratably over the performance period for the expected utilization portion of the amount stated in the contract, less a fair value adjustment, if necessary. The USOC evaluates the expected utilization of value-in-kind annually. In the event the contract amount of value-in-kind is not expected to be utilized during the contract period, the USOC reduces the amount to be recognized ratably over the remaining contract term. As of December 31, 2018, and 2017, \$171,000 and \$44,000, respectively, was deferred for value-in-kind received but not yet earned and \$4,478,000 and \$4,771,000, respectively, were due to the USOC for value-in-kind earned but not yet received.

USOC marks-rights income consisted of the following (in thousands):

	Year ended December 31, 2018	Two-year period ended December 31, 2018
Cash	\$ 125,291	\$ 255,724
Value-in-kind	12,903	27,065
	<u>\$ 138,194</u>	<u>\$ 282,789</u>

**Licensing royalty income**

Various companies enter into agreements for the right to sell merchandise with the USOC's name and marks attached. Revenue from these agreements is recognized in the period that merchandise has been sold by the licensee. Under certain agreements, the USOC receives payment as value-in-kind and it is recorded at estimated fair value in the period earned. Licensing royalty income is included in sponsorship and licensing revenue in the accompanying consolidated statement of activities.

USOC licensing royalty income consisted of the following (in thousands):

	Year ended December 31, 2018	Two-year period ended December 31, 2018
Cash	\$ 4,109	\$ 6,221
Value-in-kind	2,642	2,811
	<u>\$ 6,751</u>	<u>\$ 9,032</u>

**Note A – Summary of significant accounting policies (continued)**

**United States Olympic and Paralympic Properties**

During 2018, the USOC entered into a joint venture with LA 2028 to form U.S. Olympic and Paralympic Properties (USOPP). The formation of USOPP is to provide joint marketing efforts to the USOC and LA 2028 through the 2028 Games to be held in Los Angeles, CA. The agreement stipulated a baseline revenue to the USOC during the 2024 and 2028 quadrennials plus a share of revenues greater than a pre-determined revenue target. USOPP is an LLC owned 20% by the USOC and 80% by LA 2028.

**Contributions**

Contributions represent donations from the general public. The Committee reports contributions of cash and other assets as net assets with donor restrictions as to purpose or time or perpetuity if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the donor stipulations have been met, net assets are reclassified to net assets without donor restrictions and reported as releases from restrictions in the consolidated statement of activities. The Committee reports contributions of land, buildings and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

During the year ended December 31, 2017, the Committee changed its method of accounting treatment for contributions from certain gift agreements. Under this new accounting treatment, contribution revenue from the agreements is recognized when gift payments are received, rather than when the gift agreement is executed. Due to this change, the Committee recorded a change in accounting treatment on the statement of activities and a corresponding reduction to pledges receivable on the statement of financial position in the amount of \$25,250,000.

Future payments on executed contributions are as follows:

	<b>Year ended December 31, 2018</b>
Year ending December 31,	(In thousands)
2019	\$ 17,207
2020	13,359
2021	9,707
2022	4,029
2023	1,403
Thereafter	1,546
	<u>\$ 47,251</u>

Unconditional promises to give the Committee cash or other assets in the future are recorded at estimated fair value when the pledges are made by the donor. Fair value is determined by computing the present value of future cash flows discounted at the prevailing interest rate as of the period in which the agreement was received. An allowance for uncollectible pledges is provided based on specific circumstances and estimated rates based on historical collection patterns.

**Note A – Summary of significant accounting policies (continued)**

**Cash and cash equivalents**

Cash and short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents. The Committee maintains its deposits in multiple financial institutions, which, at times, may exceed the federally insured limits. Management does not believe that the Committee is exposed to any significant interest rate or other financial risk as a result of these deposits.

**Restricted cash, cash equivalents and investments**

Restricted cash, cash equivalents and investments represents cash and investments with donor restrictions for purpose or passage of time of \$3,596,000 and \$3,439,000 as of December 31, 2018 and 2017, respectively, and cash and investments with donor restrictions in perpetuity of \$15,816,000 and \$13,989,000 as of December 31, 2018 and 2017, respectively. These cash and investments are restricted for specific purposes according to donor intent (Note E). Of these restricted cash and investments, \$16,240,000 and \$15,577,000 were held by the USOE as a component of its investment pool as of December 31, 2018 and 2017, respectively (Note D).

**Fair value of financial instruments**

The Committee's financial instruments consist of cash and cash equivalents, investments, receivables, and payables. The carrying values of cash, receivables (other than pledges) and payables approximate fair value due to their short-term nature. Investments are reported at fair values based upon quoted market prices or as determined by fund managers (Note A, Investments). For pledges receivable, fair value is determined by computing the present value of future cash flows discounted at the prevailing interest rate as of the period in which the agreement was received (Note A, Pledges receivable).

**Investments**

Investments in equity securities, including mutual funds, with readily determinable fair values and all investments in debt and convertible securities are reported based upon quoted market prices as of the date of the consolidated statements of financial position with realized and unrealized gains and losses included in the consolidated statement of activities. For alternative investments, which include hedge funds, fair values are based on estimates reported by fund managers where quoted market prices do not exist. The Committee reviews and evaluates the estimated values by comparing them to audited financial statements of the funds and other available information.

Investment activity is accounted for on a trade-date basis, and investment income is reported on the accrual basis, net of investment expenses of \$867,000 and \$1,677,000 for the year ended December 31, 2018 and the two-year period ended December 31, 2018, respectively. Realized gains and losses are calculated based on the average-cost method.



**Note A – Summary of significant accounting policies (continued)**

**Investments (continued)**

Alternative investments include hedge funds, limited partnership interests and private equity funds. These investments are recorded at net asset value (NAV). The Committee also reviews audited financial statements of the underlying funds or partnerships, when available, and other information provided by fund managers or general partners. Investments in such funds do carry certain risks, including lack of regulatory oversight, interest rate risk, and market risk. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in risk factors in the near term would materially affect amounts reported in the consolidated financial statements of financial position.

**Accounts receivable**

Accounts receivable balances are reported net of an allowance for doubtful accounts of \$671,000 and \$261,000 as of December 31, 2018 and 2017, respectively.

The Committee reviews its allowance for doubtful accounts annually. Balances over 90 days past due and over a specified amount are reviewed individually for collectability. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

**Pledges receivable**

Pledges receivable, net of an annual discount, are shown net of estimated uncollectible amounts of \$125,000 and \$141,000 as of December 31, 2018 and 2017, respectively. Pledges are due to be collected over the next four years in the following amounts:

	<b>As of</b>
	<b>December 31, 2018</b>
Year ending December 31,	(In thousands)
2019	\$ 1,308
2020	1,328
2021	302
2022	-
	<u>\$ 2,938</u>

Pledges receivable are recorded net of estimated donor benefits to be provided in conjunction with these pledges, which include hospitality, ticket and apparel packages for the Olympic Games and Olympic Winter Games. Estimated donor benefits at December 31, 2018 and 2017 were \$2,614,000 and \$169,000, respectively. The unamortized pledge discount was \$137,000 and \$231,000 as of December 31, 2018 and 2017, respectively. As discussed in Note A, Contributions, the Committee changed its method of accounting treatment for contributions from certain gift agreements. This change resulted in a cumulative reduction of the pledges receivable balance.

**Note A – Summary of significant accounting policies (continued)**

**Prepaid expenses and other assets**

Included in prepaid expenses and other assets are costs relating to international competitions. These balances were \$298,000 and \$8,553,000 as of December 31, 2018 and 2017, respectively. The 2018 balance is for the 2019 Pan American and Parapan American Games held in July and August of 2019 in Lima, Peru and the 2020 Olympic and Paralympic Games to be held in July and August of 2020 in Tokyo, Japan. The 2017 balance was for the 2018 Winter Olympic and Paralympic Games held in February and March 2018 in PyeongChang, South Korea. The remainder of the balance of prepaid expenses and other assets is comprised of various deposits and payments.

**Inventories**

Inventories are stated at the lower of cost or market using the first-in, first-out method for determining cost. Inventories consist of food, supplies, airline tickets and other games-related items. Inventories are reported net of an allowance for excess and obsolete inventory of \$5,000 for both December 31, 2018 and 2017.

**Land, buildings, and equipment**

Land, buildings, and equipment are stated at cost for items purchased and at estimated fair value at the date of gift for items donated. Depreciation is provided on a straight-line basis over their estimated useful lives of 25 to 30 years for buildings, 5 to 20 years for building improvements and components, and 3 to 10 years for equipment. The Committee's policy on leasehold improvements is to depreciate the improvements over the shorter of the useful life of the improvement or the lease term, including renewal options when expected to be exercised. The Committee generally capitalizes items costing over \$30,000 that have a useful life over one year. The Committee recognized depreciation expense of \$7,915,000 and \$16,596,000 for the year ended December 31, 2018 and the two-year period ended December 31, 2018, respectively. Ordinary repairs and maintenance costs are expensed as incurred.

**Advertising costs**

Advertising costs are expensed as incurred. Such costs amounted to \$319,000 and \$499,000 for the year ended December 31, 2018 and the two-year period ended December 31, 2018, respectively.

**Federal income taxes**

The USOC, the USOPF and the USOE are exempt from federal and state income taxes on income from activities related to their exempt purposes under IRC Section 501(a) of the Internal Revenue Code (IRC) as organizations described in IRC Section 501(c)(3). The entities are also public charities under IRC Section 509(a). Neither the USOC, the USOPF nor the USOE had material amounts of unrelated business income for the year ended December 31, 2018.

Hospitality is a taxable limited liability company incorporated in Brazil and did not have material amounts of unrelated business taxable income during the year ended December 31, 2018.

**Note A – Summary of significant accounting policies (continued)**

**Federal income taxes (continued)**

The Committee recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Committee has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**Functional expenses**

The cost of providing the various programs and supporting services has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocated among the programs include expenses associated with the following departments: Facilities Management, Information Technology, Travel Services, Security, and Shipping and Receiving. Costs of the Facilities Management and Security departments are allocated to the programs based upon square footage. Information Technology costs are allocated by the number of workstations associated with each program. Lastly, costs of Travel Services, and Shipping and Receiving are allocated based upon each program's travel budget and headcount.

**Classes of net assets**

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor imposed restrictions. Accordingly, net assets of the Committee and changes therein are classified and reported as follows:

- **Net assets without donor restrictions** – currently available for operating purposes under the direction of the board and are not subject to donor imposed stipulations.
- **Net assets with donor restrictions** – comprised of:
  - *Subject to expenditure for specific purpose or the passage of time* – when a restriction expires due to the passage of time or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.
  - *Subject to restriction in perpetuity* – generally, the donors of these assets permit the Committee to use all or part of the income earned on the related investments for specific or general purposes.

**Management estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

**Note A – Summary of significant accounting policies (continued)**

**Asset retirement obligations**

Costs related to the legal obligations to perform certain activities in connection with the retirement, disposal or abandonment of assets are accrued. The Committee has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs were estimated based on physical inspections and cost estimates based on current market prices and applied on a per square foot basis. As of December 31, 2018 and 2017, the asset retirement obligation was \$636,000 and is a component of accounts payable and accrued liabilities on the consolidated statements of financial position. The building improvements associated with the asset retirement obligation have a net carrying value of \$0 as of December 31, 2018 and 2017 and the cost basis is included in building and leasehold improvements.

**Recently issued accounting standards**

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities.” The Committee adopted the provisions of this new standard during the year ended December 31, 2017. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note F).

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers” and has subsequently issued several supplemental and/or clarifying ASUs (collectively known as “ASC 606”). ASC 606 implements a five step model for how an entity should recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for fiscal periods beginning after December 15, 2018 and for the interim periods within that year. The Committee has evaluated the impact of current revenue contracts to be on track with implementation. The Committee is also responsible for identifying and implementing changes to existing business processes, controls, and systems in order to support revenue recognition and disclosure under the new standard. The standard permits the use of either the retrospective or cumulative effect transition method. Management continues to evaluate the impact that the adoption will have on the consolidated financial statements and related disclosures.

**Note B – United States Olympic and Paralympic Foundation**

The USOPF was incorporated in 2013 for the purpose of generating philanthropic support for the USOC. The USOPF made grants to the USOC totaling \$22,617,000 and \$27,955,000 for the year ended December 31, 2018 and the two-year period ended December 31, 2018, respectively. These grants were in accordance with the USOPF’s policy to transfer assets to the USOC once the USOPF has received the contribution payments. In addition, the USOC made grants to the USOPF totaling, \$12,599,000 and \$23,650,000 for the year ended December 31, 2018 and two-year period ended December 31, 2018, respectively, which must be used by the USOPF exclusively for its own administrative and fundraising expenses. As a result of these transactions, the USOC has a grant payable owed to the USOPF in the amount of \$5,147,000 and \$5,856,000 which is recorded in accounts payable, and the USOPF has a grant payable owed to the USOC in the amount of \$10,634,000 and \$1,496,000 which is recorded in accounts receivable as of December 31, 2018 and 2017, respectively.

**Note B – United States Olympic and Paralympic Foundation (continued)**

The USOC has entered into a service agreement with the USOPF for the purposes of providing the use of certain services, personnel, assets and facilities, and the limited right to license and use certain intellectual property of the USOC, in order to assist and/or facilitate the USOPF in the performance of its fundraising mission in the most effective and efficient manner. The amount billed under the services agreement by the USOC to the USOPF was \$5,769,000 and \$11,620,000 for the year ended December 31, 2018 and the two-year period ended December 31, 2018, respectively. The USOC conducts all day-to-day business activities and maintains books and records on behalf of the USOPF. Additionally, operating expenses are paid by the USOC on behalf of the USOPF and the USOPF is obligated to reimburse the USOC for these expenses. All financial transactions between the USOPF and the USOC were eliminated upon consolidation in the accompanying consolidated financial statements.

**Note C – United States Olympic Endowment**

The USOE was incorporated on July 2, 1984, as a nonprofit corporation with a separate board of trustees. From 1984 through 1986, the USOC contributed approximately \$111,400,000 to the USOE. These contributions are to be maintained in perpetuity (permanent endowment) to foster the United States participation in national and international amateur sports competition. These contributions are not presented as net assets with restrictions as the restrictions were designated by the USOC. The income from contributed funds to the USOE and other assets may be expended in any year, accumulated and added to principal, or held as undistributed income for future distribution. As of December 31, 2018 and 2017, the USOC has designated approximately \$111,400,000 as an amount to be maintained in perpetuity, which designation can be rescinded at any time.

In 2000, the trustees of the USOE adopted a policy whereby annual distributions of grants to the USOC, NGBs, Multi-Sport Organizations, and Affiliated Sports Organizations were to be based on 5% of the USOE's average net assets over the last 12 fiscal quarters. Grants in the amount of \$9,890,000 and \$9,817,000 were approved by the USOE board of directors in December 2018 and 2017 for payment in January 2019 and 2018, respectively and were recorded as grant payables by the USOE and grants receivable by the USOC. All amounts were eliminated upon consolidation in the accompanying consolidated financial statements. Despite the fact that the USOC consolidates the financial statements of the USOE, the USOE board of trustees is responsible for the distribution of USOE net assets.

The USOC is the designated recipient of the net assets of the USOE in the event that the USOE is dissolved. Such dissolution would require the approval of two-thirds of the votes cast at two successive regularly scheduled meetings of the USOC's board of directors at which a quorum is present.

**Note D – Disclosures about fair value of assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of the three levels of inputs that may be used to measure fair value:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- **Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Recurring measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	As of December 31, 2018			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Domestic common stocks	\$ 48,906	\$ 48,906	\$ -	\$ -
Mutual funds				
U.S. Treasury notes	21,292	21,292	-	-
Large-cap S&P 500 securities	30,393	30,393	-	-
International bonds	16,780	16,780	-	-
Total investments at fair value	117,371	\$ 117,371	\$ -	\$ -
Alternative investments at NAV (See A)	169,394			
Eliminations upon consolidation	(16,239)			
	<u>\$ 270,526</u>			
		(In thousands)		
Domestic common stocks	\$ 47,254	\$ 47,254	\$ -	\$ -
Mutual funds				
U.S. Treasury notes	16,795	16,795	-	-
Large-cap S&P 500 securities	24,448	24,448	-	-
International bonds	14,377	14,377	-	-
Total investments at fair value	102,874	\$ 102,874	\$ -	\$ -
Alternative investments at NAV (See A)	168,430			
Eliminations upon consolidation	(15,577)			
	<u>\$ 255,727</u>			

**Note D – Disclosures about fair value of assets and liabilities (continued)**

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2018 and 2017.

**Traditional investments**

Where quoted market prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, domestic and international equity and bond mutual funds, exchange traded funds and U.S. treasury notes. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows, and are classified as Level 2 securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At December 31, 2018 and 2017, the Committee holds no traditional investments classified as Level 2 or 3 in the hierarchy.

**Alternative investments**

The Committee's alternative investments, including investments held solely as agent, for sport organizations, consist of hedge equity funds, limited partnerships, real estate funds, private equity funds, bond fund trusts, and funds of funds. As a group, the alternative investments invest in a variety of securities including, but not limited to, foreign and domestic publicly traded equity and debt securities, foreign and domestic fixed income investments, domestic commercial and residential real estate, options, warrants, derivatives and contracts. To the extent possible, fair value is based on the last sale price for securities listed on national exchanges. For securities not listed on national exchanges, fair value is determined at the last bid or asking price depending on the long or short position of the security. Investments for which quotations are not available are valued at an estimated fair value by the fund managers using various models, comparisons and assumptions. Consideration is given to several factors, including the type of investment, risks, marketability, restrictions on disposition, quotations from other market participants and values of similar investments.

**Note D – Disclosures about fair value of assets and liabilities (continued)**

Alternative investments held at December 31 consist of the following:

	As of December 31, 2018			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
	(In thousands)			
Hedge equity funds <sup>(a)</sup>	\$ 41,457	\$ -	Annually	45 – 100 days
Limited partnerships <sup>(b)</sup>	69,595	-	Quarterly	10 – 60 days
Real estate fund <sup>(c)</sup>	10,408	12,255	Upon dissolution of fund	N/A
Private equity funds <sup>(d)</sup>	2,927	2,200	Upon dissolution of fund	N/A
Bond fund trust <sup>(e)</sup>	3,935	-	Monthly	10 days
Fund of funds <sup>(f)</sup>	41,001	10,440	Upon dissolution of fund	N/A
Other <sup>(g)</sup>	71	-	Upon dissolution of fund	N/A
<b>Total</b>	<b>\$ 169,394</b>	<b>\$ 24,895</b>		

	As of December 31, 2017			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
	(In thousands)			
Hedge equity funds <sup>(a)</sup>	\$ 47,239	\$ -	Annually	45 – 100 days
Limited partnerships <sup>(b)</sup>	75,224	-	Quarterly	10 – 60 days
Real estate fund <sup>(c)</sup>	8,519	9,420	Upon dissolution of fund	N/A
Private equity funds <sup>(d)</sup>	2,339	2,910	Upon dissolution of fund	N/A
Bond fund trust <sup>(e)</sup>	3,978	-	Monthly	10 days
Fund of funds <sup>(f)</sup>	30,954	11,290	Upon dissolution of fund	N/A
Other <sup>(g)</sup>	177	-	Upon dissolution of fund	N/A
<b>Total</b>	<b>\$ 168,430</b>	<b>\$ 23,620</b>		

- (a) This class includes investments in three hedge funds that take both long and short positions. All investments in this class can be redeemed in the next year.
- (b) This class includes four limited partnerships that invest primarily in foreign and domestic common stocks and commodities. Based on the partnership agreements, one of the funds valued at \$47,972,000 and of \$43,738,000 at 2018 and 2017, respectively, can invoke fund-level gates; however, none have been imposed to date.
- (c) This class includes three real estate funds that invest primarily in U.S. commercial and residential real estate. These investments can never be redeemed with the funds. Distributions from the funds will be made upon dissolution of the funds. It is estimated the underlying assets of the fund will be liquidated in 2021.
- (d) This class includes two private equity funds that invest primarily in domestic and foreign limited partnerships. These investments can never be redeemed with the funds. Distributions from each fund will be made upon dissolution of the fund. It is estimated that as of December 31, 2018, \$726,000 will be liquidated in 2019 and the remainder will be liquidated in 2023.
- (e) This class includes one bond fund trust that invests primarily in foreign government obligations. These investments can be redeemed monthly from the Trustee.
- (f) This class includes five fund of funds that invest in foreign and domestic venture capital limited partnerships. These investments can never be redeemed with the fund. Distributions from the fund will be made upon dissolution of the fund. It is estimated that as of December 31, 2018, \$6,193,000 will be liquidated in 2020 and the remainder will be liquidated in 2024.



**Note D – Disclosures about fair value of assets and liabilities (continued)**

(g) This class includes one fund in a lock-up period as the fund winds down and is expected to be liquidated and paid out over the next three to five years. To date, the Committee has received approximately 95% of the original value of this fund.

**Note E – Net assets**

Net assets consist of the following:

	As of December 31,	
	2018	2017
	(In thousands)	
Net assets without donor restrictions		
Undesignated	\$ 442,495	\$ 416,032
Board designated	542	1,000
Total net assets without donor restrictions	<u>443,037</u>	<u>417,032</u>
Subject to expenditure for specific purpose		
Athlete and athletic training	3,633	3,439
Subject to the passage of time		
Pledges receivable from third parties	993	1,146
Donor Benefits	2,614	-
Subject to restriction in perpetuity		
Endowment funds restricted in perpetuity (See A)	15,816	13,989
Pledges receivable from third parties	1,945	2,541
Total net assets with donor restrictions	<u>25,001</u>	<u>21,115</u>
Total net assets	<u>\$ 468,038</u>	<u>\$ 438,147</u>

(A) These endowment funds have donor stipulations that classify as net assets restricted in perpetuity at the original value of donated gifts at the time they are added to the funds. All but one fund allows for 100% of annual investment earnings to be appropriated for expenditure in accordance with the donor's stipulations.

All Committee endowment funds restricted for perpetuity are invested and managed by the USOE. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the Committee is required to retain as a fund of perpetual duration pursuant to donor stipulation or the Uniform Prudent Management of Institutional Funds Act. In accordance with U.S. GAAP, there were no deficiencies of this nature that are reported in net assets with donor restrictions as of December 31, 2018 and 2017.

**Note E – Net assets (continued)**

Endowment funds consist of the following:

	As of December 31, 2018		
	Without restriction - USOE	With restriction – perpetuity (In thousands)	Total
Endowment net assets, beginning of year	\$ 112,772	\$ 13,989	\$ 126,761
Investment return			1,299
Investment income	755	544	
Net appreciation	16,310	1,283	17,593
Contributions	1	-	1
Other – transfers	(17,065)	-	(17,065)
Endowment net assets, end of year	<u>\$ 112,773</u>	<u>\$ 15,816</u>	<u>\$ 128,589</u>

	As of December 31, 2017		
	Without restriction - USOE	With restriction – perpetuity (In thousands)	Total
Endowment net assets, beginning of year	\$ 112,770	\$ 12,382	\$ 125,152
Investment return			
Investment income	755	70	825
Net appreciation	16,310	-	16,310
Contributions	2	1,537	1,539
Other – transfers	(17,065)	-	(17,065)
Endowment net assets, end of year	<u>\$ 112,772</u>	<u>\$ 13,989</u>	<u>\$ 126,761</u>

**Note F – Liquidity**

The following chart represents the Committee’s financial assets available to meet cash needs for general expenditures within one year as of December 31, 2018. Financial assets are considered unavailable if not liquid or convertible within one year.

	As of December 31, 2018 (In thousands)
Financial assets	
Cash and cash equivalents	\$ 204,916
Restricted cash, cash equivalents and investments	19,412
Investments	270,526
Accounts receivable (net of VIK)	16,141
Total financial assets	<u>510,995</u>
Less those unavailable for general expenditure within one year:	
Net assets with restrictions	25,001
Less pledges due after 2019	1,630
	<u>23,371</u>
Investments – not redeemable within 365 days (reference Note D)	54,407
Accounts receivable not collectible within one year	10,995
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 422,222</u>

**Note F – Liquidity (continued)**

The Committee has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Committee also has no debt on the statement of financial position and typically pays its obligations using cash.

**Note G – Land, buildings, equipment and leases**

Land, buildings and equipment consist of the following:

	As of December 31,	
	2018	2017
	(In thousands)	
Nondepreciable		
Land	\$ 3,310	\$ 3,310
Construction in progress	335	458
Depreciable		
Buildings	108,058	108,058
Building and leasehold improvements	25,894	25,575
Furniture, fixtures and equipment	34,352	33,518
	171,949	170,919
Accumulated depreciation	(108,054)	(100,343)
	<u>\$ 63,895</u>	<u>\$ 70,576</u>

The Committee has entered into noncancelable operating leases that require future annual lease payments as follows:

	As of December 31, 2018
	(In thousands)
Year ending December 31,	
2019	\$ 1,311
2020	619
2021	641
2022	507
2023	227
Thereafter	1,551
	<u>\$ 4,856</u>

The total of all lease expenses, including long-term obligations and short-term rentals, was \$8,031,000 and \$14,288,000 for the year ended December 31, 2018 and the two-year period ended December 31, 2018, respectively.

**Note H – Investments by amateur sports organizations**

The USOE has an investment program, which allows qualified NGBs and Multi-Sport Organizations and Affiliated Sports Organizations (collectively referred to as amateur sports organizations), to pool their funds for investment with the funds of the USOE. All of these participating groups are member organizations of the USOC.

**Note H – Investments by amateur sports organizations (continued)**

Investment income in the accompanying consolidated statement of activities does not include earnings attributable to the participating amateur sports organizations. Amounts invested by the amateur sports organizations represent the program participant’s pro rata share of investments and earnings thereon and are included in assets held on behalf of others in the accompanying consolidated statements of financial position. Net investment income and market appreciation or depreciation are allocated based on the ratio of amateur sports organizations’ invested funds to total USOE invested funds. Investment expenses and general and administrative expenses are not allocated to the amateur sports organizations. Approximately \$253,000 of direct investment expenses were absorbed by the USOE for the benefit of the amateur sports organizations for the year ended December 31, 2018.

Amounts invested by the amateur sports organizations and earnings thereon are as follows:

	As of December 31,	
	2018	2017
	(In thousands)	
Amateur sports organization investments, beginning of year	\$ 62,964	\$ 53,306
Net additions (withdrawals)	(938)	1,069
Dividends	474	389
Net realized gains	1,460	4,273
Net unrealized gains (losses)	(3,801)	3,927
Amateur sports organization investments, end of year	<u>\$ 60,159</u>	<u>\$ 62,964</u>

**Note I – Grants**

The USOC funds certain programs conducted by NGBs of sports eligible for the Olympic, Paralympic, Pan American and Parapan American Games. The USOC also provides performance-based grants to eligible athletes involved in NGB and Paralympic sports programs. In addition, the USOC offers an athlete health insurance program and other medical benefits to about 2,100 athletes. Lastly, the USOC provides value-in-kind to member organizations. These costs are included within high performance programs expenses in the accompanying consolidated statement of activities.

The USOC also provides grant funding to support the operations of the U.S. Center for SafeSport and tuition grants, education and career services to eligible athletes. In addition, the USOC provides rent subsidies to several NGBs. These costs are included in athlete and NGB foundational programs in the accompanying consolidated statement of activities.

**Note I – Grants (continued)**

The USOC also provides grants to NGBs to support management of the Olympic and Paralympic trials, to increase NGBs’ digital media presence and to provide for outreach in the international sporting community. These costs are included in Team USA Media and Promotion in the accompanying consolidated statement of activities.

	<b>Year ended December 31, 2018</b>
	(In thousands)
Grants	
NGB and adaptive sport organization grants	\$ 54,303
Athlete grants	21,634
Elite athlete health insurance and other medical benefits for athletes	11,566
Other sport related organizations	10,731
Total grants	<u>\$ 98,234</u>

**Note J – Broadcast rights income**

In 2011, the USOC entered into an agreement with NBC for the television rights for the Olympic Games and Olympic Winter Games in the years 2014 through 2020 totaling \$558,578,000. The contract stipulates periodic cash payments be made, which are guaranteed by NBC’s Parent, Comcast Corporation, and will be held by NBC in trust and earn interest (as defined) until the Games occur and certain other requirements are met, including the participation of the official U.S. Olympic Team. At the time these requirements are met, the cash will be released to the USOC and the amount will be recorded as revenue. As of December 31, 2018, and 2017, \$7,293,000 and \$66,644,000, respectively, was held by NBC in trust for future Games. Interest income was \$579,000 and \$1,919,000 for the year ended December 31, 2018 and the two-year period ended December 31, 2018, respectively, and is included in broadcast rights and related interest income in the accompanying consolidated statement of activities.

In 2014, the USOC entered into multiple agreements with the IOC and NBC setting forth the terms and conditions whereby the USOC will be paid for its agreed upon share of U.S. broadcast rights revenues for the Olympic and Winter Olympic Games to be held from 2022 through 2032. The agreement specifies that NBC will pay \$7,650,000,000 for the broadcast rights over the terms of these contracts, of which 12.75%, subject to adjustments per the IOC/USOC Definitive Agreement, will be paid directly to the USOC. The USOC also entered into a separate agreement with NBC for the broadcast and exhibition rights in respect to the 2022 to 2032 US Olympic Trials and Exhibitions. For these rights NBC, will pay the USOC \$69,000,000 over the term of the agreement.

**Note K – Deferred compensation plan**

The USOC and the USOE have established tax sheltered 403(b) plans, which cover substantially all employees with one or more years of continuous service. The Committee pays a combined base and matching contribution of up to 7.5% and 5.5% of eligible employee compensation into the 403(b) plan on behalf of employees hired on or before December 31, 2011 and on or after January 1, 2012, respectively. This contribution is 100% vested. In addition, employees may defer a portion of their salary or wages pre-tax into the plan. The retirement benefit expenses for the year ended December 31, 2018 and the two-year period ended December 31, 2018 were \$2,023,000 and \$4,054,000, respectively.

On April 1, 2011, the USOC adopted a deferred compensation plan in accordance with Section 457(b) of the IRC. The purpose of this plan is to offer certain eligible employees of the USOC the opportunity to defer specified amounts of compensation on a pre-tax basis. The assets and liabilities associated with this plan were \$1,146,000 and \$1,304,000 as of December 31, 2018 and 2017, respectively. The assets and liabilities are presented separately on the consolidated statements of financial position.

**Note L – Concentrations of credit and other risks**

A significant portion of the Committee's support and revenue is derived from broadcast-rights and USOC marks-rights income. For accounts receivable, the total of all individual customers with more than 5% of the total outstanding balance represented 29% and 33% of the Committee's total balances at December 31, 2018 and 2017, respectively. Concentrations of credit risk with respect to other accounts receivable are limited due to the Committee's credit evaluation process and the right to withhold amounts due from NGBs from their grant payments. Amounts due from NGBs were \$1,437,000 and \$772,000 as of December 31, 2018 and 2017, respectively. The Committee does not believe any other significant concentrations of credit risk exist at December 31, 2018. The Committee believes that adequate reserves have been established for uncollectible amounts.

On August 19, 2009, the USOC entered into an Economic Development Agreement with the City of Colorado Springs and Landco Equity Partners. The agreement has several components including a headquarters office building for the USOC in downtown Colorado Springs, office space for several NGBs in a remodeled building called the U.S. Olympic Sport House, and upgrades to the Colorado Springs Olympic Training Center. On April 16, 2010, the USOC moved into the headquarters building, and on April 30, 2010, six NGBs moved into the US Olympic Sport House. The improvements to the Colorado Springs Olympic Training Center began in the latter part of 2010. The headquarters and US Olympic Sport House buildings had a combined fair market value of \$34,388,000 when the USOC took occupancy. As part of the agreement, the City is allowed to use the USOC marks under certain conditions. For the year ended December 31, 2017 the USOC recognized \$500,000 in marks-rights income from the City. The balance as of December 31, 2018 of \$10,625,000 in deferred marks-rights income will be recognized over the remaining 22 years of the agreement, for a total marks-rights value of \$15,000,000. The difference between the value of \$34,388,000 and the marks-rights revenue of \$15,000,000 is \$19,388,000 which was recorded as a one-time contribution in 2010 from the City of Colorado Springs and was included in contribution income in that year.

**Note L – Concentrations of credit and other risks (continued)**

**Valuation of investments in limited partnerships**

The Committee's investments in limited partnerships are recorded at their estimated fair market value as determined by the partnerships. Actual fair value of investments upon liquidation could vary significantly from the current estimated fair value.

**Note M – IOC revenue sharing agreement**

In 2012, the USOC entered into a revenue sharing agreement with the IOC setting forth the terms and conditions whereby the USOC will be paid for its agreed upon share of U.S. broadcast rights and international sponsorship revenues for the years 2020 through 2040. The agreement requires the USOC to make periodic contributions to the IOC to offset the costs of the Olympic Games and Olympic Winter Games held through 2040. Under the agreement, the USOC will contribute a total of \$45,000,000 to the IOC for the 2012, 2016 and 2020 quadrennial periods, payable in equal quarterly installments each calendar quarter, commencing in the first calendar quarter of 2013 and ending in the last calendar quarter of 2020. Beginning in 2021 and ending in 2040, the USOC will contribute \$20,000,000 to the IOC during each quadrennial period, adjusted for inflation as defined in the agreement.

Pursuant to the agreement, the Committee has recorded a liability of \$1,125,000 and \$1,688,000 payable to the IOC as of December 31, 2017 and 2016, respectively. This liability is a component of accounts payable and accrued liabilities on the consolidated statements of financial position.

**Note N – Group health insurance and self-insured risks**

The USOC is self-insured for employee and athlete health coverage. The USOC purchases network and administrative services from a commercial insurer and stop-loss coverage for employee and athlete claims in excess of \$350,000. The administrative services provider works with the USOC to calculate an estimated incurred but not reported claims liability at year-end based on actuarial data from their portfolio of clients. The total incurred but not reported claims liability is \$392,000 and \$399,000 for the employee plan and \$831,000 and \$649,000 for the athlete plan as of December 31, 2018 and 2017, respectively, and is a component of accounts payable and accrued liabilities on the consolidated statements of financial position.

**Note O – Commitments and contingencies**

The Committee is currently involved in multiple legal actions. Management believes that there are no pending legal proceedings against or involving the Committee where the outcome can be predicted and the financial impact can be estimated.

**Note P – Subsequent events**

The Committee has evaluated subsequent events through the date that the financial statements were available to be issued on July 2, 2019. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

## Consolidating statement of financial position

	As of December 31, 2018				Schedule 1
	USOC	USOPF	USOE	Eliminations	Consolidated
	(In thousands)				
<b>Assets</b>					
Cash and cash equivalents	\$ 182,122	\$ 14,274	\$ 8,520	\$ -	\$ 204,916
Restricted cash, cash equivalents and investments	12,107	7,305	-	-	19,412
Investments	23,695	-	286,765	(39,934)	270,526
Accounts receivables, net					
Pledges	12,073	755	44	(9,934)	2,938
Royalties and marks-rights	9,819	-	-	-	9,819
Other	18,205	5,454	-	(15,781)	7,878
Prepaid expenses and other assets	11,935	-	22	-	11,957
Inventories, net	1,656	-	-	-	1,656
Investments held for deferred compensation arrangements	1,146	-	-	-	1,146
Land, buildings, and equipment, net	63,861	-	34	-	63,895
Total assets	<u>\$ 336,619</u>	<u>\$ 27,788</u>	<u>\$ 295,385</u>	<u>\$ (65,649)</u>	<u>\$ 594,143</u>
<b>Liabilities and net assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 27,683	\$ 66	\$ 315	\$ -	\$ 28,064
Assets held on behalf of others	-	-	100,093	(39,934)	60,159
Deferred revenue	36,736	-	-	-	36,736
Deferred compensation arrangements	1,146	-	-	-	1,146
Other liabilities	5,191	10,634	9,890	(25,715)	-
Total liabilities	<u>70,756</u>	<u>10,700</u>	<u>110,298</u>	<u>(65,649)</u>	<u>126,105</u>
<b>Net assets</b>					
Net assets without donor restrictions	228,354	3,881	185,087	25,715	443,037
Net assets with donor restrictions					
Restricted by purpose or time	26,324	6,631	-	(25,715)	7,240
Restricted in perpetuity	11,185	6,576	-	-	17,761
	<u>37,509</u>	<u>13,207</u>	<u>-</u>	<u>(25,715)</u>	<u>25,001</u>
Total net assets	<u>265,863</u>	<u>17,088</u>	<u>185,087</u>	<u>-</u>	<u>468,038</u>
Total liabilities and net assets	<u>\$ 336,619</u>	<u>\$ 27,788</u>	<u>\$ 295,385</u>	<u>\$ (65,649)</u>	<u>\$ 594,143</u>



## Consolidating statement of financial position

Schedule 2					
As of December 31, 2017					
	USOC	USOPF	USOE	Eliminations	Consolidated
(In thousands)					
<b>Assets</b>					
Cash and cash equivalents	\$ 155,473	\$ 4,269	\$ 19,270	\$ -	\$ 179,012
Restricted cash, cash equivalents and investments	11,058	6,370	-	-	17,428
Investments	-	-	271,304	(15,577)	255,727
Accounts receivables, net					
Pledges	12,956	529	41	(9,817)	3,709
Royalties and marks-rights	16,064	-	-	-	16,064
Other	13,486	5,908	43	(7,352)	12,085
Prepaid expenses and other assets	13,450	227	10	-	13,687
Inventories, net	1,639	-	-	-	1,639
Investments held for deferred compensation arrangements	1,304	-	-	-	1,304
Land, buildings, and equipment, net	70,539	-	37	-	70,576
Total assets	<u>\$ 295,969</u>	<u>\$ 17,303</u>	<u>\$ 290,705</u>	<u>\$ (32,746)</u>	<u>\$ 571,231</u>
<b>Liabilities and net assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 23,715	\$ 68	\$ 189	\$ -	\$ 23,972
Accounts payable for investment securities purchased	-	-	17	-	17
Assets held on behalf of others	-	-	78,541	(15,577)	62,964
Deferred revenue	44,827	-	-	-	44,827
Deferred compensation arrangements	1,304	-	-	-	1,304
Other liabilities	5,856	1,496	9,817	(17,169)	-
Total liabilities	<u>75,702</u>	<u>1,564</u>	<u>88,564</u>	<u>(32,746)</u>	<u>133,084</u>
<b>Net assets</b>					
Net assets without donor restrictions	194,781	2,984	202,141	17,126	417,032
Net assets with donor restrictions					
Restricted by purpose or time	14,249	7,462	-	(17,126)	4,585
Restricted in perpetuity	11,237	5,293	-	-	16,530
	<u>25,486</u>	<u>12,755</u>	<u>-</u>	<u>(17,126)</u>	<u>21,115</u>
Total net assets	<u>220,267</u>	<u>15,739</u>	<u>202,141</u>	<u>-</u>	<u>438,147</u>
Total liabilities and net assets	<u>\$ 295,969</u>	<u>\$ 17,303</u>	<u>\$ 290,705</u>	<u>\$ (32,746)</u>	<u>\$ 571,231</u>

## Consolidating statement of activities – by entity

Schedule 3					
Year ended December 31, 2018					
	USOC	USOPF	USOE	Eliminations	Consolidated
(In thousands)					
Support and revenue					
Sponsorship and licensing	\$ 144,945	\$ -	\$ -	\$ -	\$ 144,945
Broadcast revenue	121,798	-	-	-	121,798
Contributions, net	13,641	24,306	2	(9,890)	28,059
Other program revenue	6,463	-	-	-	6,463
Investment income	1,951	(237)	(6,665)	-	(4,951)
Intercompany grants to USOPF/USOC	22,617	12,599	-	(35,216)	-
Other revenue	9,473	30	-	(5,769)	3,734
Total support and revenue	<u>320,888</u>	<u>36,698</u>	<u>(6,663)</u>	<u>(50,875)</u>	<u>300,048</u>
Expenses					
Program services					
High performance programs	110,006	-	9,890	(9,890)	110,006
Olympic and paralympic competitions	27,168	-	-	-	27,168
Athlete training facilities	28,869	-	-	-	28,869
Athlete and NGB foundational programs	23,094	-	-	-	23,094
Team USA media and promotion	21,884	-	-	-	21,884
Intercompany grants to USOPF/USOC	12,599	22,617	-	(35,216)	-
Total program services	<u>223,620</u>	<u>22,617</u>	<u>9,890</u>	<u>(45,106)</u>	<u>211,021</u>
Supporting services					
Fundraising	5,467	10,820	-	(4,442)	11,845
Sales and marketing	15,510	-	-	-	15,510
General and administrative	30,695	1,912	501	(1,327)	31,781
Total supporting services	<u>51,672</u>	<u>12,732</u>	<u>501</u>	<u>(5,769)</u>	<u>59,136</u>
Total expenses	<u>275,292</u>	<u>35,349</u>	<u>10,391</u>	<u>(50,875)</u>	<u>270,157</u>
Change in net assets	45,596	1,349	(17,054)	-	29,891
Net assets, beginning of period	<u>220,267</u>	<u>15,739</u>	<u>202,141</u>	<u>-</u>	<u>438,147</u>
Net assets, end of period	<u>\$ 265,863</u>	<u>\$ 17,088</u>	<u>\$ 185,087</u>	<u>\$ -</u>	<u>\$ 468,038</u>

## Consolidating statement of activities – by entity, by donor restriction

	Schedule 4				
	Year ended December 31, 2018				
	USOC	USOPF	USOE	Eliminations	Consolidated
	(In thousands)				
Changes in net assets without donor restrictions					
Support and revenue					
Sponsorship and licensing	\$ 144,945	\$ -	\$ -	\$ -	\$ 144,945
Broadcast revenue	121,798	-	-	-	121,798
Contributions, net	10,708	22,438	-	(9,890)	23,256
Other program revenue	6,463	-	-	-	6,463
Investment income	2,072	-	(6,663)	-	(4,591)
Intercompany grants to USOPF / USOC	9,610	7,452	-	(17,062)	-
Other revenue	9,473	30	-	(5,769)	3,734
Net assets released from restrictions - satisfaction of purpose / time restrictions	3,796	6,326	-	(9,565)	557
Total support and revenue	<u>308,865</u>	<u>36,246</u>	<u>(6,663)</u>	<u>(42,286)</u>	<u>296,162</u>
Expenses					
Program services					
High performance programs	110,006	-	9,890	(9,890)	110,006
Olympic and paralympic competitions	27,168	-	-	-	27,168
Athlete training facilities	28,869	-	-	-	28,869
Athlete and NGB foundational programs	23,094	-	-	-	23,094
Team USA media and promotion	21,884	-	-	-	21,884
Intercompany contributions	12,599	22,617	-	(35,216)	-
Total program services	<u>223,620</u>	<u>22,617</u>	<u>9,890</u>	<u>(45,106)</u>	<u>211,021</u>
Supporting services					
Fundraising	5,467	10,820	-	(4,450)	11,837
Sales and marketing	15,510	-	-	-	15,510
General and administrative	30,695	1,912	501	(1,319)	31,789
Total supporting services	<u>51,672</u>	<u>12,732</u>	<u>501</u>	<u>(5,769)</u>	<u>59,136</u>
Total expenses	<u>275,292</u>	<u>35,349</u>	<u>10,391</u>	<u>(50,875)</u>	<u>270,157</u>
Change in net assets without donor	<u>33,573</u>	<u>897</u>	<u>(17,054)</u>	<u>8,589</u>	<u>26,005</u>
Changes in net assets with donor restrictions					
Contributions	1,093	1,170	-	-	2,263
Intercompany contributions	13,007	5,147	-	(18,154)	-
Changes in pledges	1,840	698	-	-	2,538
Investment income	(121)	(237)	-	-	(358)
Net assets released from restrictions - satisfaction of purpose / time restrictions	(3,796)	(6,326)	-	9,565	(557)
Change in net assets with donor restrictions	<u>12,023</u>	<u>452</u>	<u>-</u>	<u>(8,589)</u>	<u>3,886</u>
Change in net assets	45,596	1,349	(17,054)	-	29,891
Net assets, beginning of year	<u>220,267</u>	<u>15,739</u>	<u>202,141</u>	<u>-</u>	<u>438,147</u>
Net assets, end of year	<u>\$ 265,863</u>	<u>\$ 17,088</u>	<u>\$ 185,087</u>	<u>\$ -</u>	<u>\$ 468,038</u>