

CITY OF LOS ANGELES  
INTER-DEPARTMENTAL CORRESPONDENCE

C.F. No. 15-0989  
0220-05392-0009

Date: August 6, 2020

To: Honorable Members of the Ad Hoc Committee on the 2028 Olympics and Paralympic Games

From: Richard H. Llewellyn, Jr., City Administrative Officer   
Sharon M. Tso, Chief Legislative Analyst 

Subject: **PROPOSED SECOND AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING C-129859 BETWEEN THE CITY OF LOS ANGELES, LOS ANGELES 2024 EXPLORATORY COMMITTEE, AND THE UNITED STATES OLYMPIC COMMITTEE REGARDING THE LOS ANGELES ORGANIZING COMMITTEE OF THE 2028 OLYMPIC AND PARALYMPIC GAMES**

**RECOMMENDATIONS**

That the Council:

1. AUTHORIZE the Mayor and the Council President to execute the Second Amendment to the Memorandum of Understanding C-129859 between the City of Los Angeles, the Los Angeles Organizing Committee for the 2028 Olympic and Paralympic Games, formerly referred to as the Los Angeles 2024 Exploratory Committee, and the United States Olympic and Paralympic Committee; and,
2. NOTE AND FILE the attached LA 2028 Annual Report for 2020 for the year ending December 31, 2019 inasmuch as it is submitted for informational purposes only.

**SUMMARY**

On August 11, 2017, the City Council approved actions to support efforts by the Los Angeles 2024 Exploratory Committee, subsequently reorganized to form the Los Angeles Organizing Committee for the 2028 Olympic and Paralympic Games (LA 2028), in order to bring the 2028 Olympic and Paralympic Games (2028 Games) to Los Angeles (C.F. 15-0989). This Council action included approval of the Host City Contract and a Memorandum of Understanding (MOU) between the City of Los Angeles, United States Olympic Committee (USOC), and LA 2028 (collectively, the Parties). The MOU currently requires the Parties to negotiate and execute a Games Agreement by March 14, 2020, to identify various obligations and actions between the Parties regarding the hosting of the 2028 Games. Due to prioritization of the Youth Sports Partnership (YSP) Agreement, continuing negotiations, as well as the outbreak of

novel coronavirus 2019 (COVID19), the Parties require additional time to develop the Games Agreement. Approval of the proposed Second Amendment will extend the date for executing the Games Agreement from March 14, 2020 to March 14, 2021.

This report also transmits the LA 2028 Annual Report for 2020 (Annual Report) for the fiscal year ending December 2019, in accordance with the MOU. The Annual Report is transmitted for information purposes only. Further, this report provides a status update regarding the YSP.

Additional details are provided below regarding the proposed Second Amendment to the MOU, the Annual Report, and the YSP.

### Second Amendment to the MOU

On August 16, 2017, the Parties entered into the MOU (C-129859) which memorializes the relationship, roles, and responsibilities of the Parties relative to hosting the 2028 Games. The MOU provides financial and risk management protections to the City, reporting and transparency requirements, and other actions governing administration of the 2028 Games.

Among the requirements of the original MOU was that the Parties shall enter into the Los Angeles 2028 Games Agreement (Games Agreement) and YSP Agreement by September 14, 2019. The Games Agreement shall include, among other items: the general terms of the MOU; processes for the delivery of municipal services to support the 2028 Games and associated reimbursements; as well as the YSP Agreement, which identifies LA 2028's support of youth sports in the City.

As negotiations regarding the Games Agreement and YSP Agreement were in progress, the Parties determined that additional time was needed to review key issues. On September 13, 2019, the Council approved the First Amendment to the MOU to extend by six months the deadline to enter into the Games Agreement and associated YSP Agreement, from September 14, 2019 to March 14, 2020.

The Parties have been cooperating in good faith to negotiate and obtain the approvals necessary to enter into a Games Agreement and YSP Agreement. In the interest of establishing the youth sports program and executing the YSP Agreement at the earliest date possible, the Parties prioritized the completion of the YSP Agreement. The YSP Agreement, along with related actions including the Department of Recreation and Parks (RAP) YSP Project Plan for Spring 2020, was approved by Council on February 7, 2020 (C-15-0989-S7). Negotiations regarding the Games Agreement are continuing and the Parties have determined that additional time is needed to review key issues, due in part to the outbreak of COVID-19. Approval of the proposed Second Amendment to the MOU will extend the deadline to enter into the Games Agreement by one additional year from March 14, 2020 to March 14, 2021. All other provisions of the MOU remain unchanged.

### LA 2028 Annual Report

The MOU between the City of Los Angeles and LA 2028 requires LA 2028 to provide the City with annual reports regarding the activities of the prior fiscal year no later than March 31 of each year. In accordance with the MOU, LA 2028 submitted its Annual Report to the City

covering the year ending December 31, 2019. The Annual Report provides updates on key issues and an overview of the prior year operations and financial condition. Included with the Annual Report are budget and audited financial statements. Specifically, the Annual Report provides updates on the following items:

- Management Discussion and Analysis, including the impact of the COVID-19 crisis on the operations of LA 2028;
- Youth Sports Partnership;
- Finances and Budget;
- Insurance and Risk-Management Plan;
- Contracts in excess of \$1,000,000; and,
- Conflict of interest policies, audited financials, and Form 990.

A key highlight of the Annual Report is the completion of negotiations for the YSP Agreement that formalizes the commitment by LA 2028 to invest \$160 million in order to increase youth sports participation in City sport programming in the years leading up to the 2028 Games. Under the YSP Agreement, LA 2028 seeks to increase youth sport participation in RAP programs by subsidizing participation fees for eligible families in Los Angeles. The YSP Agreement is also structured to promote Olympic and adaptive sport among RAP youth sport programming.

Additionally, the 2020 Annual Report notes that LA 2028 finalized an updated Games Budget for the 2028 Games, including an independent review performed by KPMG, approved by City Council in May 2019 (C.F. 15-0989).

#### Status of the Youth Sports Partnership

As noted above, the YSP Agreement was approved by Council on February 7, 2020, along with the YSP Project Plan for Spring 2020. Shortly thereafter, the outbreak of COVID-19 impacted RAP's ability to implement the YSP and resulted in the cancellation of the YSP Project Plan for Spring 2020 and temporarily suspended development of the 2020-21 YSP Project Plan. Beginning in July 2020, it is anticipated that the City and LA 2028 will resume discussions regarding the 2020-21 YSP Project Plan as well as the terms of the YSP Agreement as COVID-19 may affect the delivery of youth sports programming.

#### **FISCAL IMPACT STATEMENT**

There is no fiscal impact resulting from the recommendations in this report.

## **FINANCIAL POLICIES STATEMENT**

The recommendations of this report comply with the City's Financial Policies.

RHL:SMT:jw:rr 11200097

Attachments: Second Amendment to Memorandum of Understanding Between the City of Los Angeles, Los Angeles 2024 Exploratory Committee, and the United States Olympic Committee Regarding the Los Angeles Organizing Committee of the 2028 Olympic and Paralympic Games

LA 2028 Annual Report for 2020

**SECOND AMENDMENT TO  
MEMORANDUM OF UNDERSTANDING NUMBER C-129859  
BETWEEN  
THE CITY OF LOS ANGELES,  
LOS ANGELES 2024 EXPLORATORY COMMITTEE  
AND  
THE UNITED STATES OLYMPIC COMMITTEE  
REGARDING THE LOS ANGELES ORGANIZING COMMITTEE  
OF THE 2028 OLYMPIC AND PARALYMPIC GAMES**

This Second Amendment to the Memorandum of Understanding C-129859 between the City of Los Angeles, Los Angeles 2024 Exploratory Committee and the United States Olympic Committee Regarding the Los Angeles Organizing Committee of the 2028 Olympic and Paralympic Games (this “Second Amendment”) is made and entered into as of the date of the last signature set forth below by and among the City of Los Angeles, a municipal corporation (the “City”), the United States Olympic and Paralympic Committee, formerly known as the United States Olympic Committee, a Congressionally chartered nonprofit corporation (the “USOPC”), and the Los Angeles Organizing Committee of the Olympic and Paralympic Games (the “OCOG”), a California nonprofit public benefit corporation, the successor in interest of the Los Angeles 2024 Exploratory Committee, a California nonprofit public benefit corporation which began doing business as the Los Angeles 2028 Candidature Committee on July 31, 2017 (“LA28”). Collectively, these entities shall be known herein as the “Parties” or individually as a “Party.”

WITNESSETH

WHEREAS, on August 16, 2017, the Parties entered into a certain Memorandum of Understanding Regarding the Los Angeles Organizing Committee of the 2028 Olympic and Paralympic Games (“MOU”) to memorialize the relationship, roles, and responsibilities between and among the Parties with respect to hosting the 2028 Olympic and Paralympic Games (“2028 Games”);

WHEREAS, the MOU provided that in the event the City was selected by the International Olympic Committee (the “IOC”) to host the 2028 Games, LA28 would be reconstituted into the OCOG, and that the OCOG would be the successor in interest of LA28 and be bound by all of LA28’s rights, responsibilities, duties, and obligations;

WHEREAS, on September 13, 2017, the IOC approved the City of Los Angeles as the host of the 2028 Games;

WHEREAS, once the City of Los Angeles was awarded the opportunity to host the 2028 Games, the Parties began cooperating with one another and the OCOG in good faith to negotiate

and obtain necessary approvals for entering into a definitive Los Angeles 2028 Games Agreement (“Games Agreement”);

WHEREAS, the Parties entered into a First Amendment to this MOU on or about September 14, 2019, for the purpose of extending the deadline to enter into a definitive Los Angeles 2028 Games Agreement to March 14, 2020;

WHEREAS, due to the outbreak of novel coronavirus 2019 (“COVID-19”) and resulting global pandemic, the Parties are now desirous of entering into this Second Amendment for the purpose of extending the deadline to enter into a definitive Los Angeles Games Agreement to March 14, 2021, in order to continue to negotiate in good faith in working toward finalizing the Games Agreement;

NOW THEREFORE, the Parties hereby agree that the MOU be amended as follows:

1. Section 3, “Cooperation,” is hereby deleted in its entirety and replaced with the following:

Section 3. Cooperation. In the event that the City is awarded the opportunity to host the 2028 Games, the Parties shall cooperate with one another and the OCOG in good faith to negotiate, obtain all necessary approvals for and enter into the Los Angeles 2028 Games Agreement no later than March 14, 2021. This Los Angeles 2028 Games Agreement shall include the 2028 YOUTH SPORT PARTNERSHIP that was executed on March 18, 2020 (C-135291) which includes terms of the OCOG’s support for a youth sports program that aims to significantly enhance the opportunities for the City’s youth to access City sport programming.

2. Except as amended by this Second Amendment, all other terms and conditions of the MOU shall remain in full force and effect.
3. This Second Amendment consists of 4 pages. The MOU is hereby incorporated by reference, in its entirety, into this Second Amendment.
4. In the event of an inconsistency between any of the provisions of this Second Amendment, the First Amendment, and MOU, the inconsistency shall be resolved by giving precedence in the following order:
  1. This Second Amendment to Memorandum of Understanding Regarding the Los Angeles Organizing Committee of the 2028 Olympic and Paralympic games.

2. First Amendment to Memorandum of Understanding Regarding the Los Angeles Organizing Committee of the 2028 Olympic and Paralympic Games.
3. Memorandum of Understanding Regarding the Los Angeles Organizing Committee of the 2028 Olympic and Paralympic Games.

**[Signature page follows.]**

*(Remainder of page intentionally left blank.)*

IN WITNESS WHEREOF, the Parties hereto have caused this Second Amendment to be executed by their duly authorized representatives and affixed as of the date of signature of the Parties:

**THE CITY OF LOS ANGELES**

By: \_\_\_\_\_  
ERIC GARCETTI  
Mayor, City of Los Angeles

By: \_\_\_\_\_  
NURY MARTINEZ  
President, Los Angeles City Council

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**APPROVED AS TO FORM:**

**ATTEST:**

MICHAEL N. FEUER, City Attorney

HOLLY L. WOLCOTT, City Clerk

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**LOS ANGELES ORGANIZING COMMITTEE OF THE OLYMPIC AND PARALYMPIC GAMES, Successor in Interest of the LOS ANGELES 2024 EXPLORATORY COMMITTEE**

By: \_\_\_\_\_  
CASEY WASSERMAN  
Chairperson

Date: \_\_\_\_\_

**UNITED STATES OLYMPIC AND PARALYMPIC COMMITTEE**

By:  
SARAH HIRSHLAND  
Chief Executive Officer

Date: \_\_\_\_\_

**Exhibit A**

**Addresses for Notices**

**THE CITY OF LOS ANGELES**

Eric Garcetti  
Los Angeles Mayor  
200 North Spring Street  
Los Angeles, CA 90012

Michael N. Feuer  
Los Angeles City Attorney  
200 North Main Street, Suite 800  
Los Angeles, CA 90012-4137

Richard H. Llewellyn, Jr.  
City Administrative Officer  
200 North Main Street, Suite 1500  
Los Angeles, CA 90012-4137

Sharon M. Tso  
Chief Legislative Analyst  
200 North Spring Street, Room 255  
Los Angeles, CA 90012-4137

Holly L. Wolcott  
City Clerk  
200 North Spring Street, Room 360  
Los Angeles, CA 90012-4137

**LOS ANGELES 2028 CANDIDATURE COMMITTEE**

Brian E. Nelson  
Chief Legal Officer  
10900 Wilshire Boulevard, Suite 700  
Los Angeles, CA 90024

**UNITED STATES OLYMPIC AND PARALYMPIC COMMITTEE**

Chris McCleary  
General Counsel  
1 Olympic Plaza  
Colorado Springs, CO 80909



April 16, 2020

Eric Garcetti  
Los Angeles Mayor  
200 N. Spring St.  
Los Angeles, CA 90012

Michael N. Feuer  
Los Angeles City Attorney  
200 N. Main St., Suite 800  
Los Angeles, CA 90012-4137

Richard H. Llewellyn, Jr.  
City Administrative Officer  
200 N. Main St., Suite 1500  
Los Angeles, CA 90012-4137

Sharon M. Tso  
Chief Legislative Analyst  
200 N. Spring Street, Room 255  
Los Angeles, CA 90012-4137

Holly L. Wolcott  
City Clerk  
200 N. Spring Street, Room 360  
Los Angeles, CA 90012

Dear Mayor Garcetti, City Attorney Feuer, City Administrative Officer Llewellyn, Chief Legislative Analyst Tso, and City Clerk Wolcott:

Pursuant to Sections (9)(b) and 12(a) of the Memorandum of Understanding made and entered by and among the City of Los Angeles, the United States Olympic Committee, and the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 (“LA 2028”), please find attached as Appendix A, the LA 2028 Annual Report for 2020.

Sincerely,

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CASEY WASSERMAN  
Chairperson, LA 2028

CC: **LA 2028**

Brian E. Nelson  
Chief Legal Officer  
10900 Wilshire Blvd.  
Suite 700  
Los Angeles, CA 90024

**UNITED STATES OLYMPIC AND PARALYMPIC COMMITTEE**

Chris McCleary  
General Counsel  
1 Olympic Plaza  
Colorado Springs, Colorado 80909

## APPENDIX A

### LA 2028: First Quarter 2020 Update to the City of Los Angeles

#### **I. Management discussion and analysis**

First, we are honored to be a part of, and stand with, the Los Angeles community in the face of the extraordinary challenges created by the spread of COVID-19. We know that through our individual and collective acts we will see our way through this together.

We approach 2020 focused on three objectives: (1) keeping our LA 2028 team healthy and safe, (2) supporting our partners in the Olympic and Paralympic Movements – including the City of Los Angeles (the “City”) – and (3) monitoring our operations holistically so that we make decisions that support LA 2028’s resiliency over the long run while also being respectful of our partners’ independent decision-making. The Olympic and Paralympic Games have the unique potential to unify our country, and world, and we are optimistic for the future; more than ever, we are incredibly honored to support the organization of an Olympic Games and a Paralympic Games in Los Angeles in 2028.

Organizational: LA 2028 is governed by a board of directors that is chaired by Casey Wasserman. While, as of this writing, we have indefinitely moved to a remote-working environment, our small staff continues its work to reimagine the opportunity of the 2028 Games, support all partnership, marketing and activation for Team USA, and ensure we have solid foundation from which to build.

Youth sports: In 2019, LA 2028 completed negotiations with the City on a Youth Sports Participation Agreement (“YSP Agreement”) to structure and formalize our commitment to invest \$160 million to increase youth sports participation in City sport programming in the years leading up to the 2028 Games. Under the YSP Agreement, LA 2028 seeks to increase youth sport participation in LA Recreation and Parks (“RAP”) programs by heavily subsidizing the RAP program participation fees for low-income families in Los Angeles. The YSP Agreement is also structured to promote Olympic and adaptive sport among RAP youth sport programming. We look forward to activating that partnership once RAP’s programs are again up and running.

Financial: LA 2028’s operating reserves are healthy due to the International Olympic Committee’s quarterly \$9 million payments to LA 2028 for a total of \$36 million in payments made in 2019. Also in 2019, LA 2028 achieved several commercial milestones, anchored by an innovative partnership with NBCUniversal that guarantees significant revenue and mitigates LA 2028’s risk in the sponsorship market. We additionally concluded an agreement with Delta, under which Delta will become LA 2028’s founding domestic sponsorship partner.

## **II. Budget update**

LA 2028 used the first quarter of calendar year 2019 finalizing the updated Games Budget for the 2028 Games, including an independent review performed by KPMG, which was approved by the City Council in May of 2019. In addition, LA 2028 focused on three key strategic initiatives in calendar year 2019: standing up and implementing the commercial activity, evolving partnership agreements with venue operators, and establishing the Youth Sports Program agreement with the City of LA. At the end of the year, LA 2028 completed an integrated strategic plan and annual operating plan for 2020. The result of that plan did not have any material impact on the Games Budget that was reviewed a year ago. The 2028 Games Budget is as attached as Appendix B.

LA 2028's audited financial statements for calendar year 2018 are attached as Appendix C. LA 2028 is finalizing its accounting for fiscal year 2019. The OCOG's primary source of cash in 2019 was the International Olympic Committee's quarterly payments of \$9 million. The primary categories of expenditures in 2019 were staffing, professional services, office operations, travel and entertainment, grants for LA Rec and Parks Summer Swim Program, and insurance.

## **III. Insurance & risk management plan**

The OCOG maintains an active Host City Contract 2028 insurance policy as of September 13, 2017, which is the date of the City's signature of the Host City Contract.

LA 2028 is taking a comprehensive approach to risk management, including:

- Best-in-market, customized insurance policies for both typical and unique risks faced by the organization;
- Strict budgeting and insurance guidelines for all contract counter-parties and vendors;
- Shifting risk to other parties wherever possible through contractual agreements; and
- Strong risk management internal controls.

As part of the 2028 Games Budget process in 2019, LA 2028 collaborated with insurance-program and risk-management specialists to evaluate further the potential lines of coverage and scope and to update estimate pricing of premiums. The pricing has remained stable for many types of coverage, and, accordingly, the premium estimates are largely the same. As of this writing, the following insurance products are in place, in addition to the Host City Contract 2028 insurance policy:

- General Liability (initial coverage of \$14 million, including excess policy)
- Cyber (\$1 million for initial years of OCOG operation)
- Other: Property, automobile, crime/fraud, workers' compensation, and employment practices

**IV. List of contracts in excess of \$1M**

<b>Contract</b>	<b>Value</b>	<b>Purpose</b>
AECOM Technical Services, Inc.	\$1,980,000 (07/01/19 to 02/28/21).	Technical consulting and planning related to the development of a masterplan for the Games and legacy strategy, and several technical appraisals and inventory projects
Legends Sales & Marketing, LLC	\$3,000,000 (07/01/18- 12/31/2020)	Provide consulting services to support sponsorship sales in connection with the 2028 Games and Team USA for the 2022, 2024, 2026, and 2028 Games
Los Angeles (City)	\$999,673 (2019)	Grant funding in support of SwimLA
Los Angeles (City)	\$160,000,000 less authorized receipt of 2018/2019 SwimLA funds through September 1, 2028	Grant funding in support of city youth sport programming (LA2028's Youth Sport Commitment)

**V. Conflict of interest policies, audited financials, and Form 10-990**

We have provided the City with LA 2028's last available Form 10-990 and audited financials.

**VI. Youth sport**

Please see the update on youth sport contained in the management discussion & analysis.

###

## APPENDIX B

### LA 2028 Budget

<b>REVENUE</b>	<b>\$M USD (Real \$)</b>
1. International Olympic Committee Contribution	898.0
2a. IOC TOP Sponsorship Program	437.0
2b. Additional Projected IOC TOP Renewal Revenue	200.0
3. Domestic Sponsorship	2,517.7
4. Ticket Sales & Hospitality	1,928.8
5. Licensing & Merchandising	304.9
6. Other Revenues	597.8
<b>Total Revenues</b>	<b>6,884.2</b>

<b>EXPENSES</b>	<b>\$M USD (Real \$)</b>
1. Venue Infrastructure	1,463.7
2. Sport, Games Services & Operations	1,228.7
3. Technology	626.5
4. People Management	913.4
5. Ceremonies	245.0
6. Communications, Marketing & Look	397.3
7. Corporate Administration & Legacy	587.1
8. Other Expenses	806.7
9. Contingency	615.9
<b>Total Expenses</b>	<b>6,884.2</b>

<b>Net Position</b>	--
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**APPENDIX C**

[2018 Financials]

**LOS ANGELES ORGANIZING COMMITTEE  
FOR THE  
OLYMPIC AND PARALYMPIC GAMES 2028  
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**



**Gurseley | Schneider** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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## **Independent Auditor's Report**

To the Board of Directors  
Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028  
Los Angeles, California

We have audited the accompanying consolidated financial statements of the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 ("LA 2028" or "the Organization") and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 and subsidiary as of December 31, 2018 and 2017, and the changes in their assets and their cash flows for the years then ended 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 I and II 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.

*Gursey | Schneider LLP*

September 10, 2019  
Los Angeles, California

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

(A California Nonprofit Public Benefit Corporation)

Consolidated Statements of Financial Position

December 31, 2018 and 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 22,123,357	\$ 974,114
Accounts and grants receivable	540,950	311,075
Prepays and other current assets	400,004	335,682
<b>TOTAL CURRENT ASSETS</b>	<u>23,064,311</u>	<u>1,620,871</u>
<b>OTHER ASSETS</b>		
Property and equipment, net	3,355,309	-
Deposits and other non-current assets	188,354	99,200
<b>TOTAL OTHER ASSETS</b>	<u>3,543,663</u>	<u>99,200</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,607,974</u>	<u>\$ 1,720,071</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 525,390	\$ 829,328
Accrued expenses	1,644,685	593,433
Grants payable	1,055,554	-
Line of credit	-	2,750,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,225,629</u>	<u>4,172,761</u>
<b>OTHER LIABILITIES</b>		
Deferred revenue	40,610,784	-
Deferred rent and lease incentives	1,305,345	-
<b>TOTAL OTHER LIABILITIES</b>	<u>41,916,129</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	45,141,758	4,172,761
<b>NET ASSETS (DEFICIT) - WITHOUT DONOR RESTRICTIONS</b>	<u>(18,533,784)</u>	<u>(2,452,690)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 26,607,974</u>	<u>\$ 1,720,071</u>

See Accompanying Notes to Financial Statements

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

(A California Nonprofit Public Benefit Corporation)

**Consolidated Statements of Activities**

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Pledges and contributions	\$ -	\$ 7,371,292
Contract revenues	389,196	-
Interest and dividend income	177,339	1,632
Unrealized gain (loss), net	(1,908)	-
	<u>564,627</u>	<u>7,372,924</u>
<b>TOTAL REVENUES</b>	<u>564,627</u>	<u>7,372,924</u>
<b>EXPENSES</b>		
Personnel costs	7,236,193	5,011,444
Professional services	6,059,401	15,164,789
Office administration	1,651,359	2,264,111
Grant expense	1,151,642	-
Travel and entertainment	463,327	2,924,502
Depreciation	83,799	142,558
	<u>16,645,721</u>	<u>25,507,404</u>
<b>TOTAL EXPENSES</b>	<u>16,645,721</u>	<u>25,507,404</u>
<b>CHANGE IN NET ASSETS</b>	<u>(16,081,094)</u>	<u>(18,134,480)</u>
<b>NET ASSETS (DEFICIT) - WITHOUT DONOR RESTRICTIONS:</b>		
<b>BEGINNING OF YEAR</b>	<u>(2,452,690)</u>	<u>15,681,790</u>
<b>END OF YEAR</b>	<u>\$ (18,533,784)</u>	<u>\$ (2,452,690)</u>

See Accompanying Notes to Financial Statements

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

(A California Nonprofit Public Benefit Corporation)

**Consolidated Statements of Cash Flows**

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (16,081,094)	\$ (18,134,480)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	83,799	142,558
(Increase) decrease in assets:		
Grants and accounts receivable	(229,875)	11,472,259
Prepaid expenses and other current assets	(64,322)	290,069
Deposits and other current assets	(89,154)	299,999
Increase (decrease) in liabilities:		
Accounts payable	(303,938)	(101,175)
Accrued expenses	1,051,252	(399,996)
Grants payable	1,055,554	-
Deferred revenue	40,610,784	-
Deferred rent and lease incentives	236,423	-
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>26,269,429</u>	<u>(6,430,766)</u>
<b>CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,370,186)	(8,690)
<b>CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>		
Borrowing (repayment) from line of credit	<u>(2,750,000)</u>	<u>2,750,000</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	21,149,243	(3,689,456)
<b>CASH AT BEGINNING OF YEAR</b>	<u>974,114</u>	<u>4,663,570</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 22,123,357</u>	<u>\$ 974,114</u>
<b><u>NON-CASH INVESTING ACTIVITIES:</u></b>		
Tenant improvements provided by landlord	<u>\$ 1,068,922</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

## LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028

(A California Nonprofit Public Benefit Corporation)

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### NOTE 1 – ORGANIZATION

Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 (“LA 2028”) is a California nonprofit public benefit corporation responsible for delivering the 2028 Olympic and Paralympic Games in Los Angeles. The 2028 Games will harness the creativity, optimism, youthful energy, and existing world-class infrastructure across southern California to create an amazing experience for athletes, fans, and partners. The International Olympic Committee (“IOC”) awarded Los Angeles the rights to host the Olympic and Paralympic Games on September 13, 2017.

On June 13, 2018, LA 2028 established a wholly-owned subsidiary, United States Olympic and Paralympic Properties, LLC, a Delaware limited liability company (“USOPP”) with the intention to create a joint venture (the “Joint Venture”) with the United States Olympic and Paralympic Committee (“USOPC”), a federally chartered nonprofit corporation. The purpose of the Joint Venture is to collaboratively conduct marketing, sponsorship, promotional, licensing and other commercial activities related to the 2028 Games, and exploit certain USOPC intellectual property, during the period between 2021 and 2028. On August 6, 2018, LA28 and the USOPC amended and restated the limited liability company agreement of USOPP to, among other things, admit the USOPC as a member of USOPP and incorporate certain agreements between LA 2028 and the USOPC related to the Joint Venture.

Unless otherwise noted, the “Organization” hereinafter refers collectively to LA 2028 and its consolidated subsidiary, USOPP.

The specific purpose of the Organization is to improve and enhance the quality of life of the residents of the City of Los Angeles, California and the surrounding metropolitan area through the hosting of the Games of the XXIV Olympiad and the XVIII Paralympic Games in Los Angeles. Its core activities include: (i) planning, organizing, financing, promoting, sponsoring, hosting and staging the Games, (ii) raising funds to be used to plan, organize, finance, promote, sponsor, host and stage the Games, and (iii) creating and implementing sustainability and legacy programs for the Games.

Currently, the Organization is comprised of approximately 60 full-time employees, including the employees of USOPP. The majority of employees are based at the headquarters in Los Angeles, with select employees in other cities. The Organization expects to run efficient operations with a modestly lean team for the next 4 to 5 years; however, closer to the Games, the workforce will grow to thousands, including full-time employees, contractors, and volunteers.

The Organization expects to generate revenue over the course of organizing the Games, primarily from disbursements from the IOC, ticketing, domestic sponsorships, and licensing. These revenues will cover all expenses for planning and executing the Games, including temporary construction, workforce, and all operations for both the Olympic and Paralympic Games. The Organization will also invest up to \$160 million in youth sports in the City of Los Angeles to make sports more accessible and affordable to more young Los Angelenos leading up to the Games in 2028.

## LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028

(A California Nonprofit Public Benefit Corporation)

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Financial Presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Basis of Consolidation** – The consolidated financial statements include the financial statements of LA 2028 and its subsidiary USOPP. Pursuant to the amended and restated limited liability company agreement of the Joint Venture, LA 2028 is entitled to designate four (4) of the six (6) members of the board of USOPP, providing operational control of the Joint Venture to LA 2028. As a result, LA 2028 consolidates the accounts of USOPP.

All intercompany accounts and transactions have been eliminated in consolidation.

**Change in Year-End** – Effective January 1, 2018, LA 2028 changed its fiscal year-end from July 31 to December 31. The amounts shown in the accompanying statements of activities and cash flows for the year-ended December 31, 2017 have been prepared assuming the change in fiscal year occurred and was effective as of January 1, 2017.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date of the financial statements, and for the periods presented. Accordingly, actual results could differ from those estimates.

**Host City Contract** – On September 13, 2017, the City of Los Angeles, USOC and the IOC entered into the Host City Contract, which was joined by LA 2028 on September 12, 2018. Under terms of the Host City Contract, the IOC has agreed to provide LA 2028 with a \$180 million contribution of future broadcast revenue. This amount is payable in quarterly installments of \$9 million over a five-year period. According to the terms of the Host City Contract, these amounts are subject to full or partial reimbursement in case of full or partial cancellation of the 2028 Olympic and Paralympic Games. All amounts received are reflected as deferred revenues.

**Joint Venture Agreement** – On August 6, 2018, LA 2028 entered into a Joint Venture Agreement with USOPC for the purpose of collaboratively working together to further the goals and success of the Games and the U.S. Olympic and Paralympic Teams. Under the terms of the Joint Venture Agreement, the Joint Venture is entitled to receive all revenue from domestic sponsors, suppliers, licensees and marketing programs. Under this agreement, the Joint Venture is obligated to pay USOPC fixed quarterly installments of commencing from years 2021 – 2028. As of December 31, 2018, LA 2028 has not made any payments to the USOPC under this agreement.

**Sales Agency Agreement** – On September 20, 2018, USOPP entered into a Sales Agency Agreement with a third party sales agent with respect to the sale of the right to license certain categories of sponsorship for (1) the 2028 Games and (2) U.S. Teams for the 2022, 2024, 2026, and 2028 Olympic and Paralympic Games in the United States of America during the period July 1, 2018 through December 31, 2028. USOPP received an up-front payment of \$5 million for cost reimbursement. Revenue is recognized ratably over the performance period. During the year ended December 31, 2018, USOPP recognized revenues of \$389,196 under this Sales Agency Agreement. As of December 31, 2018, \$4,610,804 is reported as deferred revenues.

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

(A California Nonprofit Public Benefit Corporation)

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Net Asset Accounting** – LA 2028 recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are classified and reported in two categories of net assets.

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations, including the net investment in fixed assets, gifts with no donor restriction and current funds without donor restriction. They may be expendable for any purpose in carrying out the Organization's mission.
- *With donor restrictions* – Net assets that are subject to donor-imposed stipulations that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed restrictions that either expire by the passage of time and / or by actions of the Organization. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. There were no donor restricted net assets at year-end.

**Contributions** – Contributions, including unconditional promises to give, are recorded in the period made. All contributions are available for unrestricted use, unless specifically restricted by the donor. Conditional promises to give are recognized when the condition on which they depend are substantially met.

**Value In-Kind Contributions** – Contributions of donated noncash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period received. During the years ended December 31, 2018 and 2017, the Organization did not receive any in-kind contributions.

**Cash and Cash Equivalents** – Cash and short-term investments with original maturities of 90 days or less from the date of acquisition are considered cash and cash equivalents. The Organization maintains its deposits in one financial institution, which at times, may exceed the federally insured limits. FDIC insures cash deposits up to \$250,000 per depositor. Management does not believe that the Organization is exposed to any significant interest rate or other financial risk as a result of these deposits.

**Fair value of Financial Instruments** – The Organization's financial instruments consist of cash and cash equivalents, receivables, and payables. The carrying values of cash, receivables (other than pledge), and payables approximate fair value due to their short-term nature. 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.

**Receivables** – Receivables are stated at carrying amount. The Organization evaluates its allowance for doubtful accounts and has determined that no allowance for doubtful accounts was required as of December 31, 2018 and 2017, as substantially all amounts were collected. As of December 31, 2018 and 2017, one party accounted for approximately 75% and 96% of the receivables, respectively.

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Property and Equipment** – Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair value at the date of contribution. Ordinary repairs and maintenance are expensed as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Computer Equipment	5 years
Furniture	10 years
Leasehold Improvements	Up to the 10 year term of the lease

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. No impairment losses were recorded for the years ended December 31, 2018 and 2017.

**Income Taxes** – The Organization is 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 as organizations described in IRC Section 501(c)(3). The Organization is also a public charity under IRC Section 509(a). The Organization is subject to unrelated business income tax for income from operating activities not related to their exempt purpose. Unrelated business income is taxed based on the applicable statutory federal and state income tax rates for for-profit organizations. During the year ended December 31, 2018, the Organization estimates it will be subject to \$68,533 of unrelated business income tax for certain non-deductible expenses. These amounts are included in expenses in the accompanying statement of activities.

The Organization 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.

As of December 31, 2018, all tax years since inception are open for audit.

**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. Expenses that can be identified with a specific program or supporting service are charged directly to the related program and supporting service. Overhead costs are allocated to program and support services based on estimates determined by management. For example, management uses employee headcount based on job functions as a measure to allocate indirect costs like rent and information technology expenses between program or supporting services.

## LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

**Effect of Recently Issued Accounting Standards** – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases” (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and provide for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on LA 2028’s financial statements and related disclosures.

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 Organization has evaluated the impact of current revenue contracts to be on track with implementation. The Organization 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. Management has not yet selected a transition method nor has it determined the effect of the standard on ongoing reporting.

Finally, on June 21, 2018, the FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08, “Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments provide:

- (1) Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- (2) Help an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- (3) Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets / net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption of the amendments in the update is permitted. Management is currently evaluating the impact these changes in accounting standards will have on the LA 2028’s financial statements and related disclosures.

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Subsequent Events** – Management has reviewed subsequent events through September 10, 2019, the date the financial statements were available to be issued.

**NOTE 3 – LIQUIDITY**

Financial assets consist of the Organization's cash and cash equivalents and net grants and accounts receivable. The following represents the Organization'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.

Cash and cash equivalents	\$ 22,123,357
Grants and accounts receivables, net	<u>540,950</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,664,307</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment held for use is composed of the following:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 12,615	\$ 207,047
Furniture	423,296	18,375
Leasehold improvements	<u>3,003,196</u>	<u>52,853</u>
	3,439,107	278,275
Accumulated depreciation	<u>(83,798)</u>	<u>(278,275)</u>
	<u>\$ 3,355,309</u>	<u>\$ -</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$83,799 and \$142,558 respectively.

During the year ended December 31, 2018, LA 2028 disposed of \$278,275 fully depreciated fixed assets. Also during the year ended December 31, 2018, LA 2028 received landlord-provided tenant improvements of \$1,068,922. These amounts are reflected as a component of deferred rent and lease incentives in the accompanying statement of financial position.

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

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Notes to Consolidated Financial Statements

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**NOTE 5 – GRANTS**

The Organization funds certain programs conducted by the City of Los Angeles pursuant to the Host City Contract. The Organization intends to fund up to \$160 million to significantly enhance access to sport for the City's youth over the ten years leading up to the 2028 Games. During the year ended December 31, 2018, the Organization awarded \$1,151,642 to a sports-related organization in the city of Los Angeles. The statement of financial position reflects the amount payable under this award as of December 31, 2018 is \$1,055,554. The Organization intends to award additional grants over the next ten-year period as additional programs are identified.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

*Line of Credit.* LA 2028 maintains a \$2 million line of credit. The line of credit bears interest at the one-month LIBOR rate plus 1.5% and matures October 31, 2019. No balances were due as of December 31, 2018.

*Operating Lease.* LA 2028 leases its office space under a non-cancelable operating lease agreement that expires on December 31, 2028. The future minimum lease payments are as follows:

<u>Years Ending December 31:</u>	
2019	\$ 810,513
2020	838,880
2021	868,241
2022	898,630
2023	930,082
Thereafter	<u>5,162,097</u>
	<u>\$ 9,508,442</u>

Rent expense, included as a component of general and administrative expenses in the accompanying statement of activities, for years ended December 31, 2018 and 2017 amounted to \$790,569 and \$512,307, respectively.

**NOTE 7 – TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES**

During the years ended December 31, 2018 and 2017, the Organization purchased various services provided by entities affiliated with one or more members of the Organization's Board of Directors ("Board"). All of these services were reviewed and approved by the Board, and the Organization believes these services are being provided on terms that are as or more favorable to the Organization than would otherwise be obtainable from a third party on an arm's length basis.

<u>Service</u>	Amounts Paid	Amounts Paid
	2018	2017
Marketing and Technical Consulting Services	\$ 32,276	\$ 1,188,138
Travel	153,344	352,558
Infrastructure and Human Resources	No charge	No charge

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

**NOTE 7 – TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES – (CONTINUED)**

Certain members of the Board receive compensation (directly or indirectly through their owned entities) as consulting fees for services provided to the Organization. Amounts paid to these members totaled approximately \$421,000 and \$758,000 for the years ended December 31, 2018 and 2017, respectively.

As described in Note 1 above, LA 2028 has entered into the Joint Venture Agreement with the USOPC. The USOPC has designated certain officers and directors of the USOPC as members of the Organization's board of directors.

**NOTE 8 – FUNCTIONAL EXPENSES**

The statement of activities presents costs based on functional expense classifications. In accordance with FASB Accounting Standards Update (ASU) 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," the following is the tabular presentation of expenses summarized by both functional and natural expense classification:

	<u>Program Services</u>	<u>Management and General</u>	<u>USOPP</u>	<u>Total</u>
<b>EXPENSES</b>				
Personnel costs	\$ 3,454,149	\$ 1,859,926	\$ 1,922,118	\$ 7,236,193
Professional services	3,345,439	1,646,305	1,067,657	6,059,401
Office administration	962,821	554,402	134,136	1,651,359
Grant expense	1,151,642	-	-	1,151,642
Travel and entertainment	234,137	207,096	22,094	463,327
Depreciation	55,436	28,363	-	83,799
<b>TOTAL EXPENSES</b>	<u>\$ 9,203,624</u>	<u>\$ 4,296,092</u>	<u>\$ 3,146,005</u>	<u>\$ 16,645,721</u>

**SUPPLEMENTARY SCHEDULES**

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

(A California Nonprofit Public Benefit Corporation)

**SCHEDULE I – Consolidating Statement of Financial Position**

December 31, 2018

	<u>LA 2028</u>	<u>USOPP</u>	<u>Pre-Consolidated</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 21,982,065	\$ 141,292	\$ 22,123,357	\$ -	\$ 22,123,357
Accounts and grants receivable, net	101,998	438,952	540,950	-	540,950
Prepays and other current assets	386,503	13,501	400,004	-	400,004
Due from affiliates	-	1,750,000	1,750,000	(1,750,000)	-
<b>TOTAL CURRENT ASSETS</b>	<b>22,470,566</b>	<b>2,343,745</b>	<b>24,814,311</b>	<b>(1,750,000)</b>	<b>23,064,311</b>
<b>OTHER ASSETS</b>					
Property and equipment, net	3,355,309	-	3,355,309	-	3,355,309
Deposits and other non-current assets	188,354	-	188,354	-	188,354
<b>TOTAL OTHER ASSETS</b>	<b>3,543,663</b>	<b>-</b>	<b>3,543,663</b>	<b>-</b>	<b>3,543,663</b>
<b>TOTAL ASSETS</b>	<b>\$ 26,014,229</b>	<b>\$ 2,343,745</b>	<b>\$ 28,357,974</b>	<b>\$ (1,750,000)</b>	<b>\$ 26,607,974</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 358,499	\$ 166,891	\$ 525,390	\$ -	\$ 525,390
Accrued expenses	1,321,826	322,859	1,644,685	-	1,644,685
Grants payable	1,055,554	-	1,055,554	-	1,055,554
Due to affiliates	1,750,000	-	1,750,000	(1,750,000)	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,485,879</b>	<b>489,750</b>	<b>4,975,629</b>	<b>(1,750,000)</b>	<b>3,225,629</b>
<b>OTHER ASSETS</b>					
Deferred revenue	35,999,980	4,610,804	40,610,784	-	40,610,784
Deferred rent and lease incentives	1,305,345	-	1,305,345	-	1,305,345
<b>TOTAL OTHER LIABILITIES</b>	<b>37,305,325</b>	<b>4,610,804</b>	<b>41,916,129</b>	<b>-</b>	<b>41,916,129</b>
<b>TOTAL LIABILITIES</b>	<b>41,791,204</b>	<b>5,100,554</b>	<b>46,891,758</b>	<b>(1,750,000)</b>	<b>45,141,758</b>
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>	<b>(15,776,975)</b>	<b>(2,756,809)</b>	<b>(18,533,784)</b>	<b>-</b>	<b>(18,533,784)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,014,229</b>	<b>\$ 2,343,745</b>	<b>\$ 28,357,974</b>	<b>\$ (1,750,000)</b>	<b>\$ 26,607,974</b>

**LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028**

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**SCHEDULE II – Consolidating Statement of Activities**

For the Year Ended December 31, 2018

	<u>LA 2028</u>	<u>USOPP</u>	<u>Consolidated</u>
<b>REVENUES</b>			
Pledges and contributions	\$ -	\$ -	\$ -
Contract revenues	-	389,196	389,196
Interest and dividend income	177,339	-	177,339
Unrealized gains (loss)	(1,908)	-	(1,908)
<b>TOTAL REVENUES</b>	<u>175,431</u>	<u>389,196</u>	<u>564,627</u>
<b>EXPENSES</b>			
Personnel costs	5,314,075	1,922,118	7,236,193
Professional services	4,991,744	1,067,657	6,059,401
Office administration	1,517,223	134,136	1,651,359
Grant expense	1,151,642	-	1,151,642
Travel and entertainment	441,233	22,094	463,327
Depreciation	83,799	-	83,799
<b>TOTAL EXPENSES</b>	<u>13,499,716</u>	<u>3,146,005</u>	<u>16,645,721</u>
<b>CHANGE IN NET ASSETS</b>	<u>(13,324,285)</u>	<u>(2,756,809)</u>	<u>(16,081,094)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(2,452,690)</u>	<u>-</u>	<u>(2,452,690)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (15,776,975)</u>	<u>\$ (2,756,809)</u>	<u>\$ (18,533,784)</u>