

Olympic Commercialization and Player Compensation:

A Review of Olympic Financial Reports

Report by The Ted Rogers School of Management in partnership with Global Athlete

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Executive Summary

The Olympics Games began as a charitable organization with amateur athletes operating with donations from individuals and governments. It is now a multinational non-profit featuring professional and amateur athletes funded entirely by broadcasting and licensing deals with average annual revenues exceeding \$1.4 billion. Its account balances have grown at an average of \$140 million since it began publicly stating its financials in 2014. Yet, many athletes struggle to pay for training and costs associated with the games due to the full-time training necessary to compete and the inability of the non-profit Olympic organizations to pay athletes with salaries.

Although the International Olympic Committee and its affiliates claim non-profit status, the IOC is the only large non-profit to receive no donations or grants, and the combined IOC and National Olympic Committees projected finances from 2013-2016 only received 5.4% of revenues from these sources. The reliance on broadcast and licensing revenues makes the Olympic Movement much more closely resemble an international sports league. Yet, the 5 largest sports leagues in the world paid their athletes between 40-60% of their revenues directly to the players during this time period, meanwhile the IOC and NOCs project to have spent a mere 4.1% on athletes.

While the IOC claims it spends 90% of its total expenditure on the Olympic Games, merely 0.5% of funds were directed towards the athletes directly. During the same time period 41.1% was spent on subsidiaries and operating expenditure, 30.7% was spent on the NOCs and the International Federations, and 27.7% was spent on the Olympic Games Organizing Committees. Although each of these organizations has a specific role within the Olympic Movement, the majority of these were spent on infrastructure, broadcasting costs, salaries, and other costs. Many of these functions could be outsourced more efficiently to other organizations which specialize in these functions.

Despite the inability of the Olympic organizations to pay their athletes and maintain their non-profit statuses as organizations promoting amateur sport, there are other ways to compensate athletes. Although it is difficult to find sources citing exactly how much athletes earn and spend pursuing their Olympic dreams, Canadian athletes in 2013/2014 on average spent approximately \$15,000 annually in excess of their income, of which over a quarter was from employment income, not their sports pursuits. These losses are unacceptable and could be offset through further redistribution of increases in the IOC's account balances through scholarships, training, and reimbursement.

If the IOC and its affiliates are unwilling or unable to compensate its athletes, collective bargaining will change the face of the Olympic Movement. Although there are more hurdles to clear than other sports leagues due to the huge number of nationalities and sports involved as well as the inability of teams to switch teams to pursue higher levels of compensation, collective bargaining exists in every other major sports league. This could begin on a country-by-country or sport-by-sport basis but remains the only reliable way to ensure athletes earn a fair portion of the revenues they help earn.

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1 Introduction

The modern Olympic Games can trace their lineage back to the dreams of the Greek patriot Evangelos Zappas, who in 1859 financed the first Olympics since Roman times and later left his entire fortune so that the Olympics could be held every four years (Gerlach, 2004). Building upon this philanthropic ideal and led by his belief that exercise was the best way to prevent illness, Pierre de Coubertin helped found the International Olympic Committee (IOC) in 1894 that organized the first modern Olympics in 1896 (Young, 2004). In those times, all athletes were amateurs with the hopes of success on an international stage and bringing glory to themselves and their countries.

Yet since its inception, the IOC has transformed from a charitable organization operating with donations from individuals and governments to a multinational non-profit funded entirely by broadcasting and licensing deals with average annual revenues exceeding \$1.4 billion (International Olympic Committee, 2019). In addition, despite not compensating athletes itself, in 1971 the IOC allowed athletes to accept sponsorships and in 1986 allowed professional athletes to compete for the first time (Olsen, 2019). By maintaining its non-profit status and shedding the largest expense of most sports leagues, their athletes, the IOC has become hugely profitable with its fund balances rising by an average \$140 million annually since the IOC began making their finances publicly available in 2014.

In 1908, the IOC released the Olympic Charter as a codification of the fundamental principles of Olympism and to this day retains the original clause that it is the responsibility of the IOC “to oppose any political or commercial abuse of sport and athletes” (International Olympic Committee, 2019). Unfortunately, in order to maintain its non-profit status in many countries, the IOC must maintain that its sole purpose is to, “foster international amateur sports”, as defined by the Internal Revenue Service (IRS) of the United States of America (Internal Revenue Service, 2019, p. 4). Yet, this IRS definition seems to be in conflict with its 26 US Code 502 initially written out of concern for the increasing amount of business activity undertaken by non-profits. It defines organizations which should not be tax exempt as “any trade or business in which substantially all the work in carrying on such trade or business is performed for the organization without compensation” (Internal Revenue Service, 1983, p. 3).

It is not a stretch to argue that the 14,111 athletes who competed in the Sochi and Rio games, all of whom were unpaid, would amount to the entirety of the work being carried on without compensation. Although the IOC states it invests 90% of its spending for the Games and athlete development, only 0.5% of its total spending went directly to athletes in the form of scholarships (International Olympic Committee, 2019). This contradiction regarding non-profit organizations leaves the IOC and its athletes in a difficult position which needs to change.

Recently, the organization has responded to criticisms by adjusting its Rule 40 which prohibited athletes from profiting from their association with the games during the most lucrative part of their careers, yet this adjustment amounts to decentralizing the decision to the individual National Olympic Committees who mostly maintain the position of the IOC. Short of becoming a for-profit organization and compensating its athletes with salaries, there are indirect ways the committee could give back such as increased awards, scholarships, and training for life after the Olympics. Not only would it improve the lives of its athletes but better compensation could lead to increased levels of competition, viewership, and revenue as exemplified in other leagues. Yet,

as other sports leagues have demonstrated, collective bargaining remains the only viable solution to improve the livelihoods of athletes. This report examines the annual filings of the IOC and the USOC during the 2013-2016 quadrennial to show where Olympic funding is going and the possibilities for change to improve the lives of athletes as well as the wellbeing of the Olympic Movement.

2 Analysis of Industries

Although the IOC is a non-profit organization, it also bears many resemblances to sports organizations both through its revenues and its expenditures. As the IOC straddles both industries, exploring each grants insight into the operations of the committee.

2.1 Non-Profit Organizations

The question of what constitutes a non-profit organization can vary from country to country but most agree that, “a nonprofit organization commonly performs some type of public or community benefit, without the purpose of making a profit” (United States of America Government, 2019). Similar to the IOC, many non-profits began as small community services but have since grown into huge multinational organizations operating in a plethora of markets all around the world. In order to fuel this growth, non-profits have two main sources of revenue: donations from individuals, organizations, or government grants; and by charging a fee for their services, known as program service revenue. Most non-profits use both types of revenue but the different strategies lead to different results.

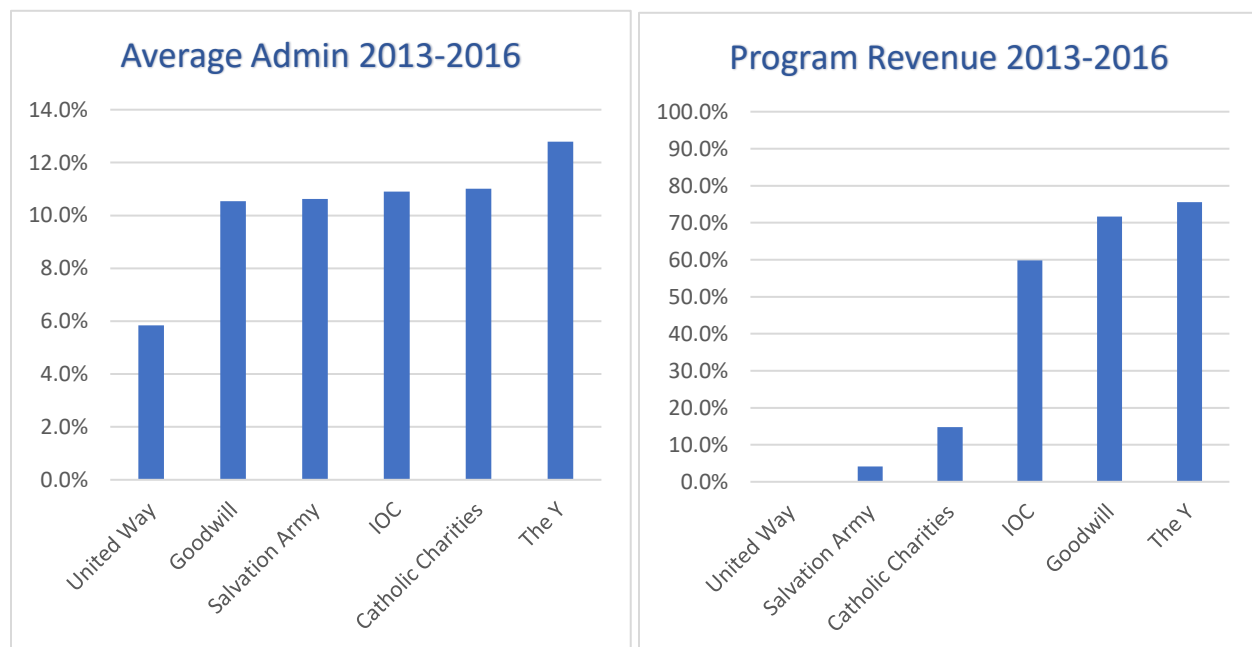


Figure 4 – Average Administration Percentage of Revenue and Average Product Service Revenue Percentage of Revenue of The Y, Goodwill Industries International, The United Way, Catholic Charities USA, The Salvation Army, and the International Olympic Committee from 2013-2016. Derived from Hrywna, M. (2018). *NPT Top 100: An In-Depth Study of America’s Largest NonProfits*. Retrieved from *The NonProfit Times* : <https://www.thenonprofitimes.com/report/npt-top100-an-in-depth-study-of-americas-largest-nonprofits/> and International Olympic Committee. (2019). *IOC Annual Report*. Retrieved from IOC Website: <https://www.olympic.org/documents/ioc-annual-report>.

The graphs above show the IOC as well as the five largest charities according to The NonProfit Times annual Top 100 report (Hrywna, 2018) in which the IOC which would fit in as 11th largest if listed. For non-profits which focus on donations, competition can be fierce. With so many charities to choose from for their donations, people often judge these organizations not on how much public service they provide but simply on their administration costs. This has led to non-profits keeping their administration fees as low as possible as a percentage of their total revenue. The United Way earns 100% of its revenue through donations and therefore maintains the lowest administration fee, while The Y, or YMCA, which earns over 75% of its revenue through its program fees such as memberships and entrance fees to its gyms. Not coincidentally, it has the highest administration percentage of the five largest charities.

Although there is a clear divide amongst the charities, the remaining non-profits all spend between 10-11% on administration. The IOC fits right in to this cluster in terms of administration, it is differentiated by its percentage of program service revenue. The IRS would determine that 59.8% of its revenue came from program service revenue but this is because the IRS does not count royalty income as part of the core business of the IOC. If royalties were included, this portion would grow to 96.4% with the remainder accounted for by financial income. Regardless, the IOC stands out as the only non-profit on the Top 100 list which is entirely privately funded (International Olympic Committee, 2017, p. 24). While, the financial statements of the IOC do not include the 206 National Olympic Committees (NOCs) which do accept donations, it does raise questions about the nature of the IOC and its affiliates.

None of the other NOCs or International Federations (IFs) publish annual reports publicly so it is difficult to determine the exact amount the amalgamated Olympic organization receives from donations or government funding. The only insight into this is the United States Olympic Committee (USOC) is obligated to fill out IRS Form 990 each year to maintain its non-profit status. Interestingly, out of a total of \$916,143,985 in revenue from 2013-2016, 44.1% counts as program service revenue and 17.3% comes from donations and grants. The remainder is mostly made up of royalties as well as a small portion from financial revenue (United States Olympic Committee, 2019). If we were to assume that the proportion of revenues of the other 205 NOCs was comparable to the USOC, the amalgamated IOC and NOC revenues would be 48.5% from program service revenues and only 5.4% from contributions and grants as shown in figure 2. Even amongst companies with rather

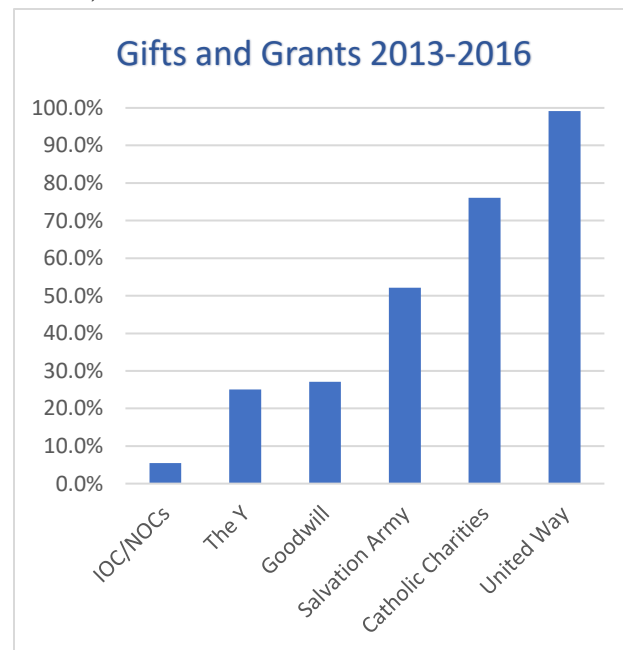


Figure 2 - Percentage of Revenue from gifts and grants 2013-2016 of the 5 largest non-profits and the assumed IOC/NOCs. Derived from NPT Top 100: An In-Depth Study of America's Largest NonProfits. Retrieved from The NonProfit Times : <https://www.thenonprofittimes.com/report/npt-top100-an-in-depth-study-of-americas-largest-nonprofits/> and International Olympic Committee. (2019). IOC Annual Report. Retrieved from IOC Website: <https://www.olympic.org/documents/ioc-annual-report>. United States Olympic Committee. (2019). Form 990: Return of Organization Exempt From Income Tax. Retrieved from Pro Publica Website: <https://projects.propublica.org/nonprofits/organizations/131548339>.

high program service revenues, this stands out as the lowest amongst any of the top 100, much more similar to a for-profit sports league than a non-profit organization.

2.2 Sports Leagues

Over the past 50 years, sports leagues have grown significantly as live viewership has gone from the primary source of revenue to a secondary source as television and other forms of media have revolutionized how fans consume sports (Lopez-Gonzalez & Tulloch, 2015). This has turned the largest leagues in the world into billion-dollar enterprises, a trend which has also affected the IOC and its affiliate NOCs. Utilizing the same USOC form 990s to extrapolate the revenues of the other 205 NOCs, the combined IOC and NOCs revenue is comparable to the largest in the world and would fall in as 8th largest in the world by an average annual revenue \$1.74 billion from 2013-2016 as shown in figure 3 (Anderson, 2019).

In the world's five largest sports leagues by revenue, the calculation of player salaries varies significantly from hard-cap leagues codified in the collective bargaining agreement of each league which dictates the proportion of total revenue that will be paid to players in salary to no cap leagues wherein each team is unconstrained in the amount it can pay each of its players. The North American leagues, the 4 largest in the world, account for a narrow range from 40-50% of total league, while the European football leagues which dominate the 5-10 largest leagues trend closer to 60% with the English Premier League shown in figure 3.

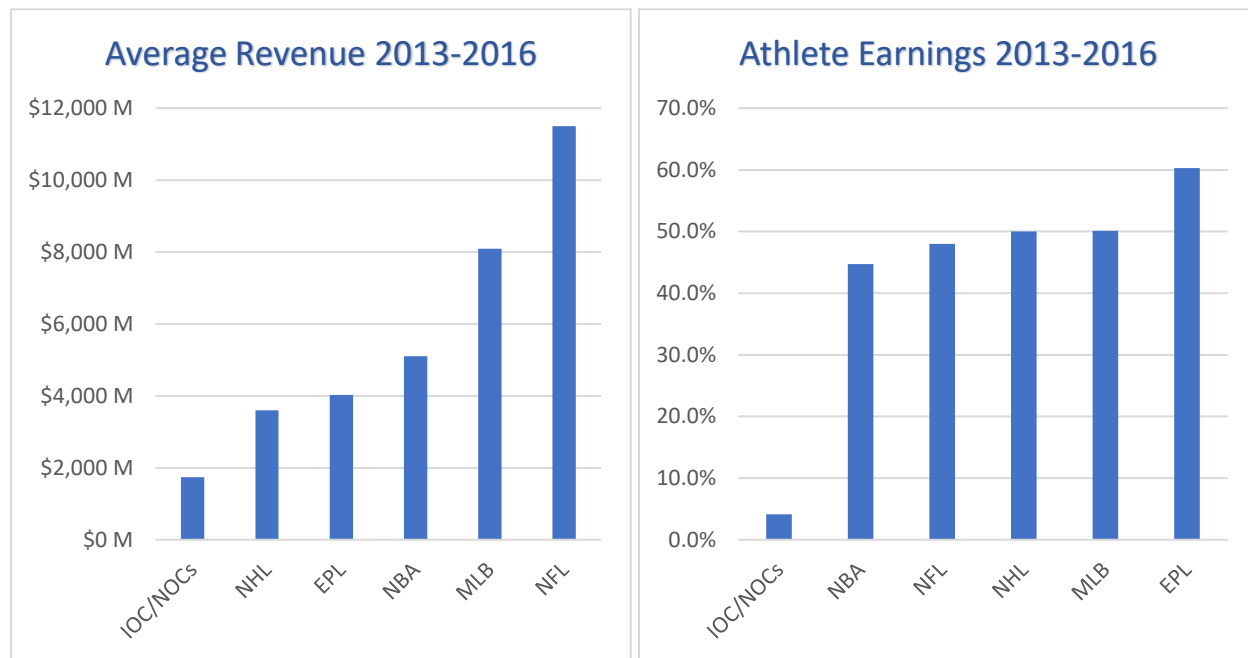


Figure 3 - Average annual revenue and athlete earnings as a percentage of revenue for the NFL, MLB, NBA, EPL, NHL, and extrapolated IOC and NOCs from 2013-2016. Derived from NBA & NBPA. (2016). 2017 NBA-NBPA Collective Bargaining Agreement. Retrieved from NBPA Website: <https://nbpa.com/cba>. NFL; NFLPA. (2011). Collective Bargaining Agreement. Retrieved from NFL Labor: <https://nflabor.files.wordpress.com/2010/01/collective-bargaining-agreement-2011-2020.pdf>. NHL, & NHLPA. (2012). Collective Bargaining Agreement. Retrieved from NHLPA Website: <https://www.nhlpa.com/the-pa/cba>. Sportrac. (2019). Brown, M. (2019). Inside The Numbers: The Player Salary Battle Lines Between MLB And The MLBPA. Retrieved from Forbes Website: <https://www.forbes.com/sites/maurybrown/2019/02/11/inside-the-numbers-the-player-salary-battle-lines-between-mlb-and-the-mlbpa/#349be8605c14>. Deloitte. (2017). Annual Review of Football Finance 2017. Retrieved from Deloitte Website: <https://www2.deloitte.com/ru/en/pages/about-deloitte/articles/annual-review-of-football-finance.html>

NFL and NHL salaries have hard caps which are dictated in the leagues' respective collective bargaining agreements, accounting for approximately 48% (NFL; NFLPA, 2011, p. 80) and 50% (NHL & NHLPA, 2012, p. 253) of total revenues respectively. Meanwhile, the NBA features a soft-cap, wherein the salary cap is set at 44.74% of total Basketball Related Income or BRI meanwhile, the soft cap allows teams to pay over the cap (NBA & NBPA, 2016, p. 159). This enables teams to pay for players who are integral to their success to maintain their fans' attention and associated revenues. Within no-cap leagues, teams spent the most on players during the 2013-2016 time period with the Major League Baseball players accounting for 50.1% of total revenue (Brown, 2019) and English Premier League players accounting for 60.3% of total revenue (Deloitte, 2017).

Although these numbers are higher than the other leagues, they do not reflect the vast disparities in percentage revenues spent between team. The most successful teams often spent closer to 70-80% of their revenues while less successful teams spent far less. This uneven distribution in spending reflects the importance of success to viewership and therefore bargaining power with league and team sponsors and advertisers which constitute the entirety of these organizations' revenues. This leverage is in turn passed to athletes through the use of collective bargaining and their ability to switch teams in order to pursue higher pay.

This stands in stark contrast to the combined IOC and NOCs which as non-profit organizations must continue to foster amateur sport and therefore does not compensate its athletes through salary and the inability of athletes to change teams. The estimated 4.1% which does end up directly in the pockets of athletes is mostly through scholarships, grants, and awards for successful competition, numbers which athletes cannot negotiate. Although these professional leagues are able to pay their players and these athletes may even compete in the Olympic Games, the irony is that the IFs which may organize these leagues in international competitions such as FIFA are not allowed to directly compensate their athletes. This creates a huge grey area wherein the athletes who do not compete in professional leagues are at a disadvantage in terms of financing and training resource while competing in amateur competitions. Instead of spending its privately earned revenues compensating athletes, the majority of these funds go towards financing the many internal and external organizations affiliated with the IOC.

3 International Olympic Committee Structure

The International Olympic Committee is a large organization made up of a multitude of internal subsidiaries and external affiliates. Each of these organizations has a unique mandate set out by the Olympic Charter to make the Olympics possible. Yet, the majority of these organizations and most of their funding go towards ensuring the revenue streams of the IOC, not increasing funding towards athletes or athletic programs.

3.1 Internal Olympic Organizations

The IOC funnels its funding through a number of internal subsidiaries whose ownership structure is depicted in figure 4 (International Olympic Committee, 2019). The organizations are split amongst the three goals of promoting Olympic history, supporting the NOCs and their athletes, and managing the revenues and expenditures of the games. These goals are represented by the Olympic Foundation for Culture and Heritage (OFCH), Olympic Solidarity (OS), and the Olympic Foundation (OF) respectively. Due to the difficulty of dissecting these organizations from

their combined financial statements, they will all be grouped into subsidiaries in this financial analysis with the exception of the Olympic Solidarity Scholarships which appear to be the only direct athlete funding from the IOC.

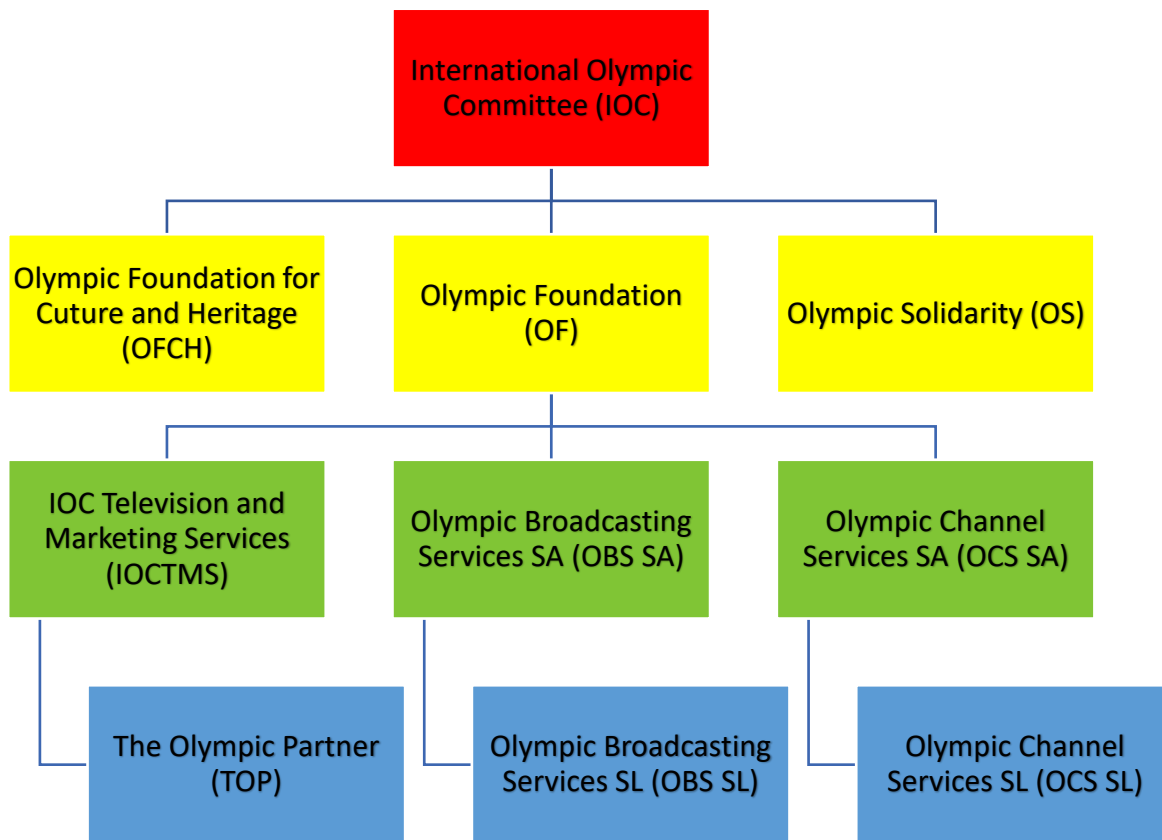


Figure 49 - Ownership structure of internal subsidiaries of the International Olympic Committee. Derived from International Olympic Committee. (2019). IOC Annual Report. Retrieved from IOC Website: <https://www.olympic.org/documents/ioc-annual-report>

3.1.1 The Olympic Foundation for Culture and Heritage (OFCH)

The OFCH is tasked with depicting the history of the games and associating the Olympic Movement with art and culture (International Olympic Committee, 2019, p. 125). The foundation accomplishes this task through its investment in the Olympic Museum in Lausanne Switzerland, the Olympic Studies Centre (OSC) which shares Olympic knowledge around the world, the Olympic Values Education Program (OVEP) which provides training and education in person and online to promote Olympic values such as excellence respect, and friendship, as well as its International arts and culture programmes. Altogether, these services cost the IOC just over \$40 million annually and over five-times as much as IOC athlete compensation.

3.1.2 Olympic Solidarity (OS)

Olympic Solidarity is an organization created jointly by the IOC and NOCs but fully owned by the IOC to support the NOCs in their mission to promote the Olympic Movement. The majority of OS funding goes towards continental programs supporting the NOCs and directly to the NOCs themselves meanwhile, there are programs supporting athletes through training and courses to aid athletes during their time competing and afterwards. In addition, it is from this organization that

the solidarity scholarship, the only apparent direct source of IOC athlete compensation comes. Although the programs of OS accounted for \$406 million during 2013-2016, it appears only \$33 million went directly to the athletes themselves through scholarships.

3.1.3 The Olympic Foundation (OF)

The Olympic Foundation is tasked with providing services to the Olympic Movement in the areas of culture, education, and sports (International Olympic Committee, 2019, p. 125). Despite this, the Olympic Foundation (OF) and its subsidiaries seem to spend the majority of their funding on broadcasting and marketing services. The OF fully owns three subsidiaries who themselves each own one subsidiary. The IOC Television and Marketing Services (IOCTMS) manages the broadcasting and media rights, sponsorship rights, and all other marketing, meaning that the service accounts for all of the revenue flowing into the IOC. Its Top Olympic Partner (TOP) subsidiary is responsible for the sponsorship portion of the IOC and is fully managed by the IOCTMS. The Olympic Broadcasting Services SA (OBS SA) and its subsidiary the Olympic Broadcasting Services SL (OBS SL) are responsible for the broadcasting services of the IOC. Finally, the Olympic Channel Services SA (OCS SA) and its subsidiary Olympic Channel Services SL (OCS SL) are responsible for running the Olympic Channel. Launched on August 21st, 2016 to provide Olympic coverage year-round, the website and its content are designed to compete with other over-the-top (OTT) distribution mediums.

Combined, these internal organizations support the NOCs and the Olympic Games but the majority of their funding is dedicated to ensuring the revenue and distribution of the games. Although these goals do not meet the criteria for administration costs people typically assume with the overarching and demonized term, ‘overhead’, they should be viewed as non-core. If it is the role of the IOC to ensure the games take place every four years, it is questionable why the non-profit focuses so heavily on expenses which are not part of the games. For example, instead of spending hundreds of millions focused on broadcasting and channel services the organization could outsource these functions to a media content provider specializing in these services while still charging for the rights to the games themselves. This could reduce its expenses while maintaining close the same level of revenues and potentially increase the value of the product and its revenues due to its partners expertise in content creation. This would allow the organization to focus on its core mission of organizing the games.

3.2 External Olympic Organizations

The size of the Olympic Games and the sheer number of stakeholders involved necessitates that the IOC partner with external organizations the roles of which are dictated in the Olympic Charter. As of 2019, these included 206 National Olympic Committee (NOCs) representing athletes, coaches, officials, and judges from around the world; 40 International Federations (IFs) in charge of specific Olympic sports; and 5 Olympic Games Organizing Committees (OCOGs) representing Tokyo 2020, Beijing 2022, Paris 2024, Milan-Cortina 2026, and Los Angeles 2028. Although the sheer size of planning all of these endeavours necessitates these organizations, the number of organizations involved makes it near impossible to track the final destination of Olympic funding.

3.2.1 National Olympic Committees (NOCs)

Each of the 206 NOCs is responsible for organizing the Olympic team of its country, promoting the Olympic Movement, and spreading Olympic values. Each receives funding from the IOC from both its distribution of broadcast and TOP program revenues in addition to support from Olympic Solidarity which separates the NOCs to be managed by 5 Continental Programmes representing North America, South America, Europe, Africa, and Asia/Australia. Yet, not all NOCs are created equal.

The United States Olympic Committee represents one of the most lucrative markets in the world and receives a disproportionate amount of funding in consideration of its population at 35% of total NOC revenue. This leaves only 65% of revenue for the other 205 NOCs, an issue the IOC attempts to mitigate through its Olympic Solidarity funding programs as well as its Continental and team support programs. Yet, this allocation of funding places NOCs with less financial clout at a funding disadvantage in terms of training resources they can provide their athletes and their relative success. Directly compensating athletes equally or reimbursing them for their own training expenses could alleviate these discrepancies in funding allotments.

3.2.2 International Federations (IFs)

The 33 summer and 7 winter IFs represent all of the sports in which athletes compete at the summer and winter Olympic Games respectively. They are also responsible for the organization of regular competitions throughout the quadrennial, setting the rules and regulations, as well as forming the direction and spread of their respective sports throughout the world. Although the IOC provides funding to many of the federations, this funding is relatively insignificant to the larger IFs.

For example, the Fédération Internationale de Football Association or FIFA is the largest of the IFs with revenues rivalling the IOC itself. FIFA utilizes its own quadrennial cycle culminating most recently in 2018 with the World Cup of Football. During the 2015-2018 cycle, the federation featured \$4.6 billion in revenue and saw its financial reserves rise by \$1.2 billion (Fédération Internationale de Football Association, 2019). Similar to the IOC, FIFA earns revenue through broadcasting and licensing rights, works in conjunction with national football programs, and does not compensate its athletes for their work. These facets have made the organization incredibly profitable over the past few decades and has led to growing reserves. Although not all IFs carry this kind financial weight, they operate under similar structures and these attributes can make it difficult for athletes to finance their own Olympic dreams and create difficult circumstances for the officials who wield incredible power over their respective sports.

In 2015, this increased cashflow and a lack of oversight resulted in a slew of FBI arrests of senior FIFA officers for bribes exceeding \$100 million (Gibson & Gayle, 2015). Allowing officials to manage billion-dollar enterprises and make potentially history altering decisions such as where to host large sporting events without the oversight of investors can evidently lead to these types of situations. Although private enterprises are not immune to corruption, the additional oversight of shareholders could act as an additional layer of insurance that these types of situations do not become commonplace.

3.2.3 Organizing Committees for the Olympic Games (OCOGs)

In order to enable partnership with the local authorities of each Olympic Games and to mitigate the financial risks of operating the games, the IOC sets up an Olympic Committee for the Olympic Games (OCOGs) for each of the Olympics it facilitates. These organizations are formalized with Host City Contracts limiting the liability of the IOC and NOCs while also dictating the revenue share and financial commitment of each stakeholder involved. During the Rio Games in 2016, the host city received 60% of any surplus but greatly restricted the OCOGs ability to market while incurring the responsibility for the facilities and staff necessary to the operation of the games. Considering these costs have exceeded estimates by an average of 179% from 1960-2012 (Flyvbjerg & Stewart, 2012), the 1984 summer games in Los Angeles are the only profitable games in the past 60 years (McBride, 2018). This reality combined with the continuing profitability of the IOC and the IFs have made cities and their citizens question whether the cost of hosting the games is worth the financial risk.

4 International Olympic Committee Financials

The IOC began posting an annual report of its financial information in 2014 as a response to recommendation 29 of the Olympic Agenda 2020 which asked the IOC to, “produce an annual activity and financial report, including the allowance policy for IOC members” (International Olympic Committee, 2014). These documents provide further information into the function of the IOC and its affiliates but indicate that further recommendations are needed to further the future of the Olympic Movement.

4.1 Revenue

The IOC is entirely privately funded, yet its affiliate NOCs also receive public contributions and government grants. Yet, private funding from broadcasting and licensing rights make up all of the revenue of the IOC and the vast majority of the revenue of the IOC and NOCs combined. Understanding these revenue streams is imperative to grasping the way in which the organizations allocate their funding.

4.1.1 Broadcasting

During the 2013-2016 quadrennial, almost three-quarters of the revenue of the IOC was earned through selling the rights to broadcast the games as shown in figure 5. This demonstrates the importance of televising rights and may explain why the IOC spends such a significant amount of its internal expenditure ensuring the quality and consistency of its programming. At 73.5% of \$5.7 billion in total revenue or \$4.2 billion these rights represent the life-blood of the IOC. Considering over half of

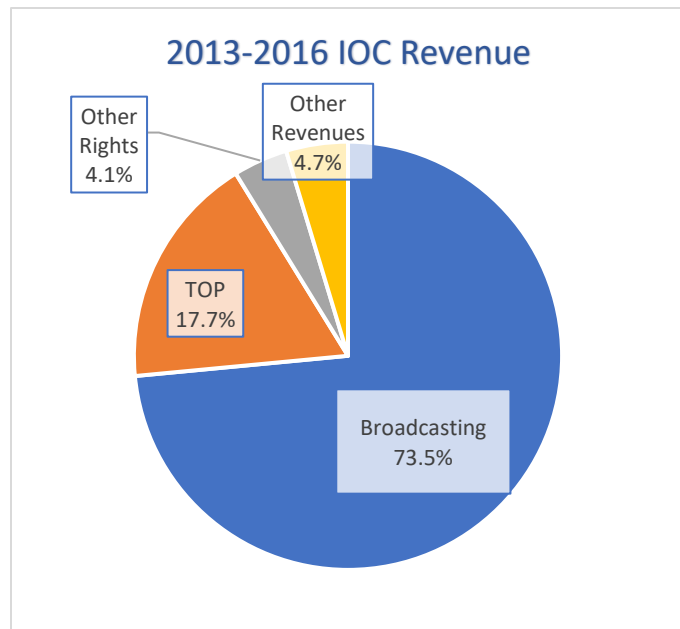


Figure 5 - IOC Revenue sources from 2013-2016. Derived from International Olympic Committee. (2019). IOC Annual Report. Retrieved from IOC Website: <https://www.olympic.org/documents/ioc-annual-report>.

this revenue was earned in the Americas, this demonstrates the importance of the US in particular and may explain the outsized portion of revenues the USOC receives. If the IOC is to continue to grow, it should look to increase the value of the broadcasts in other areas around the world.

4.1.2 TOP Programme

The TOP Programme encompasses long-term partnerships with corporations trading the marketing rights and specific utilization of the Olympic brand in exchange for revenue and services-in-kind such as products, services, and expertise. The TOP programme currently features 13 companies representing different industries such as Coca-Cola, Alibaba, and Panasonic and accounted for 17.7% of total IOC revenue during the last quadrennial. These companies pay for the exclusive rights to utilize the Olympics brand and are one of the largest reasons the IOC has been incredibly protective of its branding. This includes the previous enforcement of Rule 40 concerning Olympians use of their own image during the games. The rule has been updated following a German Cartel Office ruling in 2019 which determined the rule too far-reaching and since, the IOC has devolved the power to each NOC within its own territory (Pavitt, 2019). Although this liberalization should help a number of Olympic athletes, the devolution of power could place athletes from different countries on uneven footing financially similar to the discrepancy between professional and amateur athletes. A more uniform approach to rights and funding would be preferable to levelling the playing field in the spirit of Olympic competition.

4.1.3 Other Rights and Revenue

Other rights and other revenue made up the remainder of revenue for the IOC at 4.1% and 4.7% respectively during the last quadrennial. These consist mostly of the OCOGs marketing and licensing programmes as well as the Paralympic games broadcasting revenue. Although these sources are not insignificant in terms of the revenue for the IOC, they are clearly supplemental to the main funding through broadcasting and licensing rights. Again, it is important to note that none of these other sources contain donations, typically a main source of revenue for non-profit organizations.

Additionally, the total revenues of the IOC do not include its financial income. Although EBIT for the IOC stands at approximately \$268 million for the four years between 2013-2016, investment of its over \$2 billion in equity allowed the organization to raise an additional \$212 million in income during the time period. Despite the need for capital to finance the Olympic Games over a four-year period, this significant financial income should raise questions regarding what level of capital is truly necessary to facilitate these endeavours. As athletes continue to go uncompensated and host cities continue to lose money, perhaps there would be a better way to reinvest these funds in the continued growth of the Olympic Movement and the growth of sports around the world.

4.2 Expenditures

As stated in the structure section, there are a number of organizations which operate within and in partnership with the IOC, each with a specific mandate set out by the Olympic Charter. Each of these organizations receives either a part or the entirety of their funding from the IOC through direct expenditure or revenue sharing programs designed to be reflective of both their need and entitlement as defined by contracts written in partnership with the organization. In addition to

the administrative costs incurred by the IOC itself, these subsidiaries and partner organizations form represented almost 90% of the total outflow of funds from the IOC as depicted in figure 6. There is limited information on these affiliates considering many of them do not report their financial information publicly, which makes it even more difficult to decipher where this money is going. With this being said, the graph below only represents the financial reports of the IOC itself during the last quadrennial.

4.2.1 Operating Expenditure

In the most recent IOC annual report, the organization states that 90% of its total revenue from 2013-2016 was directed towards the Olympic Games and athlete development meanwhile, a mere 10% is spent on IOC operations (International Olympic Committee, 2019, p. 14). Over half of this funding represents the salaries and social charges of the numerous professionals who not only facilitate relationships with other organizations and administer the IOC itself but the broadcast and other staff the IOC employs to accomplish its role in the Olympic Games. These costs also contain the public relations, executive board, travel, accommodation, and depreciation expenses.

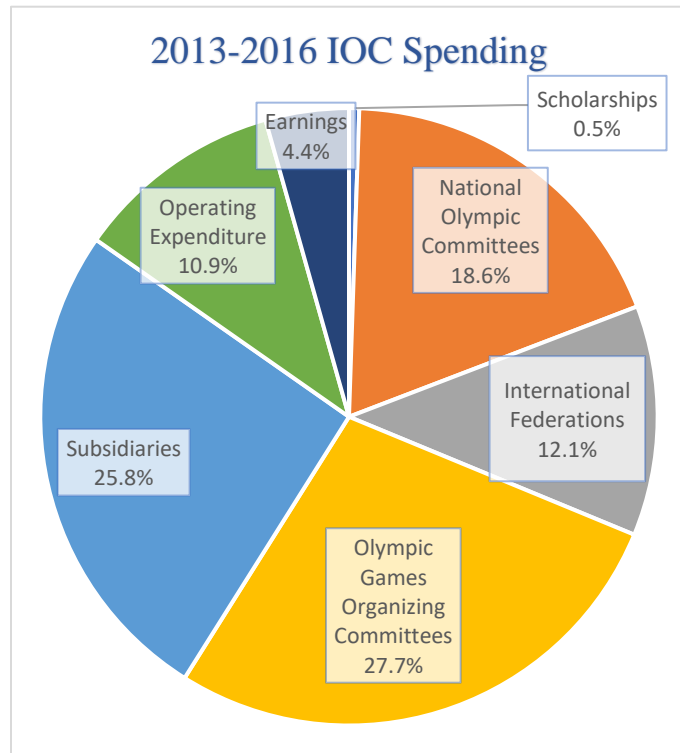


Figure 6 - IOC expenditure distribution from 2013-2016. Derived from International Olympic Committee. (2019). IOC Annual Report. Retrieved from IOC Website: <https://www.olympic.org/documents/ioc-annual-report>.

Interestingly, the smallest portion of the operating expenditure of the IOC is spend upon income taxes. It is assumed that similarly to other non-profit organizations, the relevant tax authorities have determined that a portion of IOC revenue is not part of its core program service revenue and is therefore taxable under Swiss law, the home of IOC operations. Considering the Swiss corporate tax rate of 8.5% and the \$4.6 million in tax paid by the IOC during the last quadrennial, it can be assumed that approximately \$54.7 million or 0.97% of IOC revenue was taxable during this period. It would be useful for the IOC to shed further light on the operations it conducts that are taxable to grant a clearer image of the whole of the organization.

4.2.2 Subsidiaries

As discussed in the section 3.1, the internal operations of the organization are undertaken by a number of fully-owned subsidiaries of the IOC. 25.8% of the expenditures of the IOC are accounted for through these subsidiaries for the purposes of promoting Olympic history, supporting the NOCs and their athletes, as well as managing the revenues and expenditures of the games. Of these three stated goals, managing the finances of the organizations is by far the largest expense. Just over half of the \$1.6 billion these organizations spent during the quadrennial was

labelled as Olympic and Youth Games expenses the vast majority of which was spent on broadcasting, marketing, and technology. Although these expenses are necessary to ensure the most important revenue stream the IOC receives, it may be more cost efficient to contract out the technical aspects of distributing the games to a partner specializing in the field would allow the IOC to focus on its mandate of ensuring the games operate smoothly while saving costs by auctioning off the rights and increasing revenue through partner expertise.

The next largest portion of subsidiary expense was Olympic Solidarity aimed at aiding the NOCs and their athletes. It is important to note that the Olympic Solidarity Scholarships are included in the 0.5% labelled scholarships and have been excluded from the 25.8% in order to illustrate the amount of funding athletes receive instead of what is funneled to various other organizations. OS spends just over half of its funding on Continental Programmes which act as a mediator between OS and NOCs to allocate finances. Excluding their facilitation of statutory meetings of NOCs on each continent, it is unclear how the Continental Programmes aid the NOCs in their goal of promoting the Olympic Movement. The IOC website states the programmes may set aside funds to develop specific programmes for the specific needs of their continent but there are no examples readily available (International Olympic Committee , 2019). Perhaps directing this money to the NOCs would be more useful to aiding the development of athletes and the NOCs.

The remainder of the funds are dedicated to various sources such as marketing, insurance, special projects, and grants. Where and how these grants are distributed is not disclosed but they account for a mere \$24.6 million over the four years or a mere 0.43% of total expenditures. Similar to many disclosures within the annual reports, these numbers leave many questions unanswered. Although disclosing its internal finances is a huge step forward for the IOC, most public companies required to distribute these types of filings must then answer to shareholders regarding their publications. Unfortunately, the organization is not obliged to undergo this type of review due to its lack of shareholders. If the IOC is a non-profit organization with the goal of contributing to the world of sport, it can go much further to reassuring the public and all of its stakeholders of its values.

4.2.3 Revenue Distributions

To facilitate the funding of its external affiliated organizations, the IOC utilizes revenue distributions from its general revenues and its TOP programme. These programs feature different divisions of revenue based upon contracts negotiated between the IOC and each of its partners. It is important to note that these contracts tend to stipulate that most of these distributions take place after the Olympic Games to ensure the IOC has sufficient funding to cover its expenses. Although the affiliate organizations do not have the leverage necessary to renegotiate due to the unique position of the IOC, this delay of financing may help explain the relatively high financial income of the IOC. By delaying the distribution of hundreds of millions of dollars each year, the organizations would be able to invest this money for a time leading to huge amounts of interest in the interim. On the other side, the affiliate organizations would have the opposite consequence and would need to borrow money to fund their expenses and repay the resultant borrowing costs. This aspect of the dealings of the IOC may explain its relative profitability in comparison to its affiliates such as the OCOGs.

Considering the mandate of the IOC is to ensure the celebration of the games every four years, it is fitting that the OCOGs received the largest portion of its revenue distributions. At 27.7% for the Sochi and Rio games, the winter and summer games organizing committees received a total of \$1.7 billion for the two games. Considering the costs of the games were both estimated to be more than 10 times this funding, it is not surprising that both were unprofitable. At 18.6%, the NOCs received the next largest portion of revenues during the quadrennial. Of this \$1.1 billion, \$404 million was redirected to the USOC alone leaving only \$740 million amongst the other 205 NOCs for an average of \$3.6 million. Considering IOC funding represented 35.5% of USOC revenue, if the proportions of the other NOCs are similar the average NOC received only \$10.2 million in total revenue. Finally, the IFs received the smallest portion of revenue at 12.1% or \$741 million. Although this represented a larger piece of revenue for each organization considering there are only 40 IFs, each of these IFs must operate in all of the countries which either compete in or attempt to qualify for each Olympics.

5 Conclusion

Despite its charitable roots, the IOC has become a financially successful organization due to its leverage over the athletes and cities which make the games possible. The 2013-2016 quadrennial was the largest and most financially successful in history and the ongoing quadrennial is projected to be even larger. As the IOC continues to increase its fund balances, it is time to question how much liquidity is truly necessary to ensure the success of the games and at what point the athletes deserve to benefit from these ever-growing profits.

Considering the huge costs of training to compete in the Olympics not including the opportunity costs of spending 7 days a week focused on a sport, most Olympians struggle financially, depending on family and part-time work. Although it is difficult to find sources citing exactly how much athletes earn and spend pursuing their Olympic dreams, Canadian athletes in 2013/2014 on average spent approximately \$15,000 annually in excess of their income, of which over a quarter was from employment income, not their sports pursuits (Ekos Research Associates Inc., 2015).

Despite this, based on the amalgamated IOC and NOCs funding, the average athlete during this quadrennial received just over \$5,000 annually throughout their endeavors. Although the IOC insists on maintaining its non-profit status, there is still no reason it spends merely 0.5% of its total expenditures on its athletes. If the IOC simply redistributed its excess revenues to the athletes through reimbursement, scholarships, and training the average annual compensation to athletes would rise to \$11,000, more than double its current level.

The Olympic Games have grown tremendously since they started as a dream of a patriot but most of the athletes themselves have not experienced the benefits. Many athletes in other sports leagues have experienced similar bargaining and leverage issues which almost always ends in collective bargaining. All of the largest sports leagues in the world feature collective bargaining agreements and unions which clearly define the rights' both the players and the leagues, yet these examples feature players in similar geographical locations playing the same sports who have the ability to change teams to increase their ability to negotiate. The difficulties of organizing the thousands of athletes from around the world competing in numerous sports at the Olympics is much more complex by comparison but it is not insurmountable. Organization could begin at a

sport or national level in order to level the playing field between amateur and professional athletes in similar situations. In addition, the threat of all the athletes within a sport of National team to abstain from an Olympics would provide similar or greater leverage to the ability of professional athletes to switch team for better compensation.

Athletes should not have to pay to compete in the Olympics. Even if it the IOC was losing money, that fact is undeniable. The athletes should be compensated for the opportunity cost of spending the prime years of their athletic careers training to competing in the Olympic Games. It is not as if the Olympics are unprofitable. If the Olympic organizations are unwilling or unable to compensate its athletes, it falls to the players to stand together for their rights and beliefs. If the IOC is truly against the commercial abuse of athletes, it will find a way to pay its athletes back. If not, it will be up to the athletes themselves.

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