

*****Printing Instructions*****

In order to ensure that the signature on the following document prints,
please make sure your settings in Adobe are set to print
“document and markups” or similar.



Financial Statements for the Years Ended
December 31, 2008 and 2007 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

National Paddling Committee, Inc. (d/b/a USA Canoe/Kayak):

We have audited the statements of financial position of the National Paddling Committee Inc., (d/b/a USA Canoe/Kayak) as of December 31, 2008 and 2007, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Committee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Paddling Committee, Inc., (d/b/a USA Canoe/Kayak) as of December 31, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 12 and 13 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Greer + Walker, LLP

August 7, 2009



SOUTH TRYON SQUARE
201 SOUTH TRYON STREET • SUITE 1500
CHARLOTTE, NC 28202
TEL 704.377.0239 • FAX 704.377.8663
WWW.GREERWALKER.COM

MEMBERS OF:
AMERICAN INSTITUTE OF CPAs
NORTH CAROLINA ASSOCIATION OF CPAs
PKF NORTH AMERICAN NETWORK

NATIONAL PADDLING COMMITTEE, INC. (d/b/a USA CANOE/KAYAK)

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 61,150	\$ 10,869
Accounts receivable	300	40,696
Prepaid expenses	28,008	15,095
Pledges receivable, net		121,079
Property and equipment, net	58,617	77,662
Beneficial interest in endowment fund held by American Canoe Associations, Inc.	<u>306,689</u>	<u>463,033</u>
TOTAL	<u>\$ 454,764</u>	<u>\$ 728,434</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 77,391	\$ 52,928
Accrued expenses	3,770	
Deferred revenue		145,000
Total liabilities	<u>81,161</u>	<u>197,928</u>
NET ASSETS:		
Unrestricted	44,775	(95,127)
Temporarily restricted	22,139	162,600
Permanently restricted	306,689	463,033
Total net assets	<u>373,603</u>	<u>530,506</u>
TOTAL	<u>\$ 454,764</u>	<u>\$ 728,434</u>

See notes to financial statements.

NATIONAL PADDLING COMMITTEE, INC. (d/b/a USA CANOE/KAYAK)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support from United States Olympic Committee	\$ 775,137	\$ 18,290		\$ 793,427
Corporate sponsor contributions	296,250			296,250
Receipt of income from endowment funds held by American Canoe Association, Inc.	23,152			23,152
Gifts and contributions	85,451	1,100		86,551
Membership dues	63,055			63,055
Events	192,160			192,160
Change in value of endowment funds held by American Canoe Association, Inc.			\$ (156,344)	(156,344)
Other	19	35,786		35,805
Net assets released from restrictions	195,637	(195,637)		-
Total support and revenue	<u>1,630,861</u>	<u>(140,461)</u>	<u>(156,344)</u>	<u>1,334,056</u>
OPERATING EXPENSES:				
Program services	1,150,184			1,150,184
Fundraising	38,263			38,263
General and administrative	302,512			302,512
Total operating expenses	<u>1,490,959</u>	<u>-</u>	<u>-</u>	<u>1,490,959</u>
INCREASE (DECREASE) IN NET ASSETS	139,902	(140,461)	(156,344)	(156,903)
NET ASSETS, BEGINNING OF YEAR	<u>(95,127)</u>	<u>162,600</u>	<u>463,033</u>	<u>530,506</u>
NET ASSETS, END OF YEAR	<u>\$ 44,775</u>	<u>\$ 22,139</u>	<u>\$ 306,689</u>	<u>\$ 373,603</u>

See notes to financial statements.

NATIONAL PADDLING COMMITTEE, INC. (d/b/a USA CANOE/KAYAK)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support from United States Olympic Committee	\$ 773,288	\$ 7,471		\$ 780,759
Corporate sponsor contributions	165,534			165,534
Receipt of income from endowment funds held by American Canoe Association, Inc.	22,150			22,150
Special projects		24,174		24,174
Gifts and contributions	153,895	40,000		193,895
Membership dues	68,195			68,195
Events	93,842			93,842
Change in value of endowment funds held by American Canoe Association, Inc.			\$ 20,041	20,041
Other	1,485	16,985		18,470
Net assets released from restrictions	190,812	(190,812)		-
Total support and revenue	<u>1,469,201</u>	<u>(102,182)</u>	<u>20,041</u>	<u>1,387,060</u>
OPERATING EXPENSES:				
Program services	1,206,716			1,206,716
Fundraising	59,680			59,680
General and administrative	331,429			331,429
Total operating expenses	<u>1,597,825</u>	<u>-</u>	<u>-</u>	<u>1,597,825</u>
INCREASE (DECREASE) IN NET ASSETS	(128,624)	(102,182)	20,041	(210,765)
NET ASSETS, BEGINNING OF YEAR	<u>33,497</u>	<u>264,782</u>	<u>442,992</u>	<u>741,271</u>
NET ASSETS, END OF YEAR	<u>\$ (95,127)</u>	<u>\$ 162,600</u>	<u>\$ 463,033</u>	<u>\$ 530,506</u>

See notes to financial statements.

NATIONAL PADDLING COMMITTEE, INC. (d/b/a USA CANOE/KAYAK)

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (156,903)	\$ (210,765)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in discounts on pledges receivable	(15,921)	(11,107)
Depreciation	21,008	17,468
Change in the beneficial interest in endowment funds held by American Canoe Association, Inc.	156,344	(20,041)
Changes in operating assets and liabilities:		
Accounts receivable	40,396	(36,596)
Prepaid expenses	(12,913)	9,542
Pledges receivable	137,000	137,000
Accounts payable	24,463	17,933
Accrued expenses	3,770	
Deferred revenue	(145,000)	145,000
Net cash provided by operating activities	<u>52,244</u>	<u>48,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(1,963)</u>	<u>(61,309)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,281	(12,875)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,869</u>	<u>23,744</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 61,150</u>	<u>\$ 10,869</u>

See notes to financial statements.

NATIONAL PADDLING COMMITTEE, INC. D/B/A USA CANOE/KAYAK

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - The United States Olympic Committee (USOC) recognized the National Paddling Committee (NPC) as responsible for performing the national governing body functions for the Olympic discipline of canoesport. These functions include organizing athletes and teams for national and international events such as the Olympic Games, sanctioning events and promoting canoesport, the United States National Team and its athletes. In 1999, the NPC adopted a d/b/a name of USA Canoe/Kayak.

Financial Statement Presentation - The Committee reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily restricted net assets - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently restricted net assets - Net assets that contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity. The Organization may expend part or all of the income earned according to donor stipulations.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Revenue Recognition - Support and contributions are recognized based on contractual terms and sponsorship agreements. Deferred revenue is recognized when funds are received for events that will take place in future years.

Cash and Cash Equivalents - The Committee considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Committee maintains cash deposits with financial institutions that at times may exceed federally insured limits.

Accounts Receivable - The Committee extends credit to its customers and members. By their nature, accounts receivable involve risk, including the credit risk of nonpayment by the customer. Receivables are considered past due based on contractual and invoice terms. Accounts deemed uncollectible are charged directly to bad debt expense. As of December 31, 2008 and 2007, all remaining accounts receivable were considered collectible by management. Accordingly, no allowance has been provided in the accompanying financial statements.

Pledges Receivable - Unconditional pledges of contributions are recognized in the statement of activities in the period made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount rate is recorded as contribution revenue. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history. No allowance was considered necessary as of December 31, 2008 or 2007.

Property - Property and equipment greater than \$1,000 is recorded at cost, or if donated, at estimated fair market value on the date of receipt. Depreciation is computed using the straight-line method, based on the estimated useful lives of the respective assets.

Donated Services and Materials - Contributed services are reflected in the financial statements at fair value of the services received if the services received (1) create or enhance non-financial assets or (2) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services were received for various program activities to support athletes participating in the Olympic sporting events. These services were recognized based on estimated fair value in support and revenue and in program services expenses. The fair value of the donated services was \$0 and \$43,000 for the years ended December 31, 2008 and 2007, respectively. The NPC records donated materials at estimated fair value when an objective basis of measurement exists to value such donations.

Income Taxes - The NPC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes under Section 501(a) of the Internal Revenue Code. In addition, it has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The Financial Accounting Standards Board (FASB) issued interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" (FIN 48), in June 2006. This statement clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "*Accounting for Income Taxes*". While the Organization is considered tax exempt, the provisions of FIN 48 may still apply in certain situations. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. In accordance with FASB Staff Position FIN 48-3, the Organization has elected to defer application of FIN 48 until January 1, 2009. Currently, the Organization applies SFAS No. 5, "*Accounting for Contingencies*", for any potential uncertain tax positions. Management does not expect the adoption of FIN 48 to have a material impact on its financial statements.

Reclassifications - Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 presentation. Such reclassifications had no effect on the reported change in net assets.

2. PLEDGES RECEIVABLE

There were no pledges receivable as of December 31, 2008. Pledges receivable consisted of the following at December 31, 2007:

	<u>2007</u>
USOC Joint Marketing Agreement	\$ 72,000
Donated facilities	<u>65,000</u>
Total	137,000
Less amortized discount	<u>15,921</u>
Net unconditional promises to give	<u>\$ 121,079</u>

The discount rate applied to the USOC Joint Marketing Agreement was determined to be 5% at the date of agreement. The discount rate applied to the donated services was based on the treasury bill rate at the date of original contribution of approximately 3%.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Canoes and kayaks	\$ 169,810	\$ 172,810
Vehicles	53,607	53,607
Office furniture and equipment	<u>44,714</u>	<u>39,750</u>
	268,131	266,167
Less accumulated depreciation	<u>(209,514)</u>	<u>(188,505)</u>
Property and equipment, net	<u>\$ 58,617</u>	<u>\$ 77,662</u>

4. NATIONAL GOVERNING BODY FEES

NPC served jointly with the American Canoe Association, Inc. (ACA) as the National Governing Body of Olympic Canoesport until November 1, 1997 when NPC became the sole National Governing Body for Canoesport. In turn, the ACA agreed that NPC performs the governing function for the Olympic canoe/kayak program and to recognize NPC as an autonomous independent organization.

As part of a National Governing Body (NGB) Transition Agreement made between ACA and NPC, the ACA was to segregate \$400,000 from funds received from USOC arising out of the 1984 Los Angeles Olympic Games as a separate endowment within the ACA Foundation. The endowment is currently invested through the United States Olympic Foundation. According to the transition agreement, ACA shall not use, assign, pledge as security, otherwise encumber or in any way dispose of the endowment. NPC is entitled to receive annually and in perpetuity from the endowment an amount equal to 5% of the value of the endowment as of December 31 of the previous year. The endowment provided \$23,152 and \$22,150 of operating funds to the NPC during the years ended December 31, 2008 and 2007, respectively.

5. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the NPC adopted SFAS No. 157, *Fair Value Measurements*. There was no impact to the NPC's financial position or results of operations upon adoption. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The inputs used for valuing NPC's investments are summarized in the three broad levels listed below:

Level 1 - quoted prices in active markets for identical assets

Level 2 - other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.)

Level 3 - significant unobservable inputs

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. As of December 31, 2008, the valuation of all of the investments held utilized Level 3 inputs, as defined above.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2008 and 2007.

Cash and cash equivalents: Valued at cost, which approximates fair value.

Debt and equity securities – includes various equity securities and both equity and bond mutual funds: Valued at quoted market prices where available for identical securities (Level 1) or estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows (Level 2).

Alternative investments – includes hedge equity funds, private equity funds, absolute return funds and limited partnerships: Valued at fair value based on last sale price for securities listed on national exchanges or last bid or asking price for those not listed on national exchanges (Level 2) or valued at estimated fair value by the fund managers using various models, comparisons and assumptions (Level 3).

The following table sets forth by level, within the fair value hierarchy, NPC's assets at fair value as of December 31, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ 29,186	\$ -	\$ 29,186
Common stocks	39,084	-	-	39,084
Mutual funds	61,681	27,613	-	89,294
Bonds	-	45,182	-	45,182
Convertible securities	-	315	-	315
Alternative investments	<u>-</u>	<u>38,310</u>	<u>65,318</u>	<u>103,628</u>
Total assets at fair value	<u>\$ 100,765</u>	<u>\$ 140,606</u>	<u>\$ 65,318</u>	<u>\$ 306,689</u>

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 Category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Change in funds held by ACA and pooled at the United States Olympic Foundation, Level 3 assets, are measured at fair value on a recurring basis for the year December 31, 2008.

Balance, beginning of year	\$ 67,403
Realized and unrealized gains and losses, net	(13,958)
Purchases, sales, issuances and settlements (net)	14,174
Transfers out of Level 3	<u>(2,301)</u>
Balance, end of year	<u>\$ 65,318</u>

6. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Rent		\$ 59,623
Property and equipment	\$ 20,530	37,940
General operations		61,456
International Relations grant		1,534
Non-Olympic canoesport	<u>1,609</u>	<u>2,047</u>
Total temporarily restricted net assets	<u>\$ 22,139</u>	<u>\$ 162,600</u>

Permanently restricted net assets represent endowment funds held by the American Canoe Association, Inc. for the benefit of the NPC.

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions as follows:

	<u>2008</u>	<u>2007</u>
General operations	\$ 72,000	\$ 72,000
Rent	65,000	65,000
Property and equipment	17,411	13,060
International Relations grant	9,280	22,640
Non-Olympic canoesports	<u>31,946</u>	<u>18,112</u>
Total net assets released from restrictions	<u>\$ 195,637</u>	<u>\$ 190,812</u>

8. ECONOMIC DEPENDENCY

The NPC receives a substantial portion of its operation revenues from the USOC. Revenue, contributions and other support from the USOC consisted of the following:

	<u>2008</u>	<u>2007</u>
USOC Olympic Grant	\$ 745,082	\$ 671,843
Various competition and specific purpose grants	37,801	51,445
Contract bonus		50,000
Change in pledge receivable discount	<u>10,544</u>	<u>7,471</u>
Total USOC revenue	<u>\$ 793,427</u>	<u>\$ 780,759</u>

The Committee is highly dependent on grants from the USOC.

9. RISKS AND UNCERTAINTIES

The organization has a beneficial interest in an endowment fund (see Note 4). The fund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the interest in the endowment and the amounts reported in the accompanying statements of net assets and the statements of changes in net assets.

NATIONAL PADDLING COMMITTEE, INC. (d/b/a USA CANOE/KAYAK)

SCHEDULE OF PROGRAM EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2007)

	<u>Sprint Programs</u>	<u>Slalom Programs</u>	<u>Other Athletic Support and Development</u>	<u>2008 Total Program</u>	<u>2007 Total Program</u>
Payroll and related expenses	\$ 214,007	\$ 200,677	\$ 8,458	\$ 423,142	\$ 376,282
Depreciation	13,567			13,567	10,498
Office	3,817	3,817	610	8,244	5,430
Rent	14,003	14,003	2,236	30,242	29,178
Travel	62,498	35,402		97,900	93,228
Trials and competition	256,174	253,774	60,835	570,783	684,082
Utilities	3,806	3,806	608	8,220	8,018
Miscellaneous, net		(1,914)		(1,914)	
	<u>\$ 567,872</u>	<u>\$ 509,565</u>	<u>\$ 72,747</u>	<u>\$ 1,150,184</u>	<u>\$ 1,206,716</u>

See independent auditors' report.

NATIONAL PADDLING COMMITTEE, INC. (d/b/a USA CANOE/KAYAK)

SCHEDULE OF PROGRAM SUPPORTING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2007)

	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>2008 Total Supporting</u>	<u>2007 Total Supporting</u>
Payroll and related expenses	\$ 109,378	\$ 21,906	\$ 131,284	\$ 156,356
Marketing and fund raising		7,411	7,411	29,060
Depreciation	7,441		7,441	6,970
Equipment				1,055
Insurance	32,921		32,921	34,991
Office expenses	8,756	1,579	10,335	6,669
Professional fees	29,748		29,748	21,880
Rent	28,965	5,793	34,758	40,821
Travel	64,842		64,842	63,799
Utilities	7,872	1,574	9,446	9,844
Miscellaneous	12,589		12,589	19,664
	<u>\$ 302,512</u>	<u>\$ 38,263</u>	<u>\$ 340,775</u>	<u>\$ 391,109</u>

See independent auditors' report.