



**Financial Statements for the Years Ended
December 31, 2005 and 2004 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the statement of financial position of the National Paddling Committee Inc., (d/b/a USA Canoe/Kayak) as of December 31, 2005, and the related statements of activities and of cash flows for the year 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 audit. The financial statements of the National Paddling Committee Inc. as of December 31, 2004, were audited by other auditors whose opinion dated September 2, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2005, and the changes in their net assets and their cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Greer & Walker, LLP

June 19, 2006

TRUSTED BUSINESS ADVISORS

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

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2005 AND 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 119,244	\$ 2,970
Accounts receivable	27,757	639
Prepaid expenses	8,677	7,138
Pledges receivable, net	343,597	320,353
Property and equipment, net	31,424	28,377
Beneficial interest in endowment fund held by American Canoe Associations, Inc.	411,503	406,226
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 942,202</u>	<u>\$ 765,703</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 55,104	\$ 34,333
Accrued expenses	13,046	1,440
Total liabilities	<hr/> 68,150 <hr/>	<hr/> 35,773 <hr/>
Net assets		
Unrestricted:		
Equity in property and equipment	31,424	28,377
Available for use	87,528	(25,507)
Total unrestricted	<hr/> 118,952 <hr/>	<hr/> 2,870 <hr/>
Temporarily restricted	343,597	320,834
Permanently restricted	411,503	406,226
Total net assets	<hr/> 874,052 <hr/>	<hr/> 729,930 <hr/>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 942,202</u>	<u>\$ 765,703</u>

See notes to financial statements.

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

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support from United States Olympic Committee	\$ 659,603	\$ 2,063		\$ 661,666
Corporate sponsor contributions	37,032			37,032
Receipt of income from endowment funds held by American Canoe Association, Inc.	20,311			20,311
Donated facilities		208,381		208,381
Gifts and contributions	52,912			52,912
Membership dues	71,695			71,695
Events	33,335			33,335
Change in value of endowment funds held by American Canoe Association, Inc.			\$ 5,277	5,277
Other	2,174	1,275		3,449
Net assets released from restrictions	188,956	(188,956)		
Total support and revenue	1,066,018	22,763	5,277	1,094,058
OPERATING EXPENSES:				
Program services	664,644			664,644
Fundraising	32,745			32,745
General and administrative	252,547			252,547
Total operating expenses	949,936	-	-	949,936
INCREASE IN NET ASSETS	116,082	22,763	5,277	144,122
NET ASSETS, BEGINNING OF YEAR	2,870	320,834	406,226	729,930
NET ASSETS, END OF YEAR	\$ 118,952	\$ 343,597	\$ 411,503	\$ 874,052

See notes to financial statements.

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

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support from United States Olympic Committee	\$ 513,659	\$ 264,883		\$ 778,542
Corporate sponsor contributions	41,882			41,882
Receipt of income from endowment funds held by American Canoe Association, Inc.	19,219			19,219
Donated facilities		20,243		20,243
Gifts and contributions	174,467			174,467
Membership dues	69,540			69,540
Events	57,460			57,460
Change in value of endowment funds held by American Canoe Association, Inc.			21,848	21,848
Other	640	1,050		1,690
Net assets released from restrictions	127,039	(127,039)		
Total support and revenue	1,003,906	159,137	21,848	1,184,891
OPERATING EXPENSES:				
Program services	684,799			684,799
Fundraising	61,229			61,229
General and administrative	311,283			311,283
Total operating expenses	1,057,311	-	-	1,057,311
INCREASE (DECREASE) IN NET ASSETS	(53,405)	159,137	21,848	127,580
NET ASSETS, BEGINNING OF YEAR	56,275	161,697	384,378	602,350
NET ASSETS, END OF YEAR	\$ 2,870	\$ 320,834	\$ 406,226	\$ 729,930

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 144,122	\$ 127,580
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in discounts on pledges receivable	6,223	17,073
Depreciation	12,878	14,843
Donated property	(14,200)	(7,797)
Change in the beneficial interest in endowment funds held by American Canoe Association, Inc.	(5,277)	(21,848)
Changes in operating assets and liabilities:		
Accounts receivable	(27,118)	(549)
Advances to coaches		3,910
Prepaid expenses	(1,539)	(7,138)
Pledges receivable	(29,467)	(175,729)
Accounts payable	20,771	1,242
Accrued expenses	11,606	(5,000)
Net cash provided by (applied to) operating activities	<u>117,999</u>	<u>(53,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(1,725)</u>	<u>(1,030)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	116,274	(54,443)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,970</u>	<u>57,413</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 119,244</u>	<u>\$ 2,970</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, 2005 AND 2004

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 Team 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 are those currently available for use in general operations under the direction of the Board of Trustees, and those resources invested in equipment.

Temporarily restricted net assets are those stipulated by donors for a specific time period, operating purpose or for the acquisition of property and equipment.

Permanently restricted net assets are gifts which donor restriction requires that the corpus be invested in perpetuity and only the income be made available for general operations.

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.

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.

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. The Committee maintains allowances which management believes are adequate to absorb estimated losses to be incurred by management through a specific identification process. Receivables are considered past due based on contractual and invoice terms. Accounts deemed uncollectible are charged against the reserve. As of December 31, 2005 and 2004, the Committee considered all remaining accounts collectible and, therefore, no allowance was provided.

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 additional 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, 2005 or 2004.

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. 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.

Reclassifications - Certain amounts in the 2004 financial statements have been reclassified to conform with the 2005 presentation. Such reclassifications had no effect on the reported change in net assets.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
USOC Joint Marketing Agreement	\$ 180,000	\$ 288,000
Donated facilities	195,000	43,333
Value in kind	<u> </u>	<u>14,200</u>
Total	375,000	345,533
Less amortized discount	<u>31,403</u>	<u>25,180</u>
Net unconditional promises to give	<u>\$ 343,597</u>	<u>\$ 320,353</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Canoes and kayaks	\$ 113,075	\$ 113,075
Vehicles	53,607	51,382
Office furniture and equipment	<u>42,192</u>	<u>28,492</u>
	208,874	192,949
Less accumulated depreciation	<u>(177,450)</u>	<u>(164,572)</u>
Property and equipment, net	<u>\$ 31,424</u>	<u>\$ 28,377</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 31st of the pervious year. The endowment provided \$20,311 and \$19,219 of operating funds to the NPC during the years ended December 31, 2005 and 2004, respectively. As of December 31, 2005 and 2004, ACA held assets of \$411,503 and \$406,226 for the benefit of NPC.

5. 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>2005</u>	<u>2004</u>
USOC Olympic Grant	\$ 250,000	\$ 250,359
Various competition and specific purpose grants	409,603	263,300
Joint marketing agreement revenue	<u> </u>	<u>264,883</u>
Total USOC revenue	<u>\$ 659,603</u>	<u>\$ 778,542</u>

The Committee is highly dependent on grants from the USOC.

6. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Rent	\$ 184,143	\$ 41,270
Property and equipment		14,200
General operations	159,454	264,883
Non-Olympic canoesport	<u>481</u>	<u>481</u>
Total temporarily restricted net assets	<u>\$ 343,597</u>	<u>\$ 320,834</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>2005</u>	<u>2004</u>
General operations	\$ 109,275	\$ 60,000
Rent	65,000	65,000
Property and equipment	14,200	1,470
Non-Olympic canoesports	<u>481</u>	<u>569</u>
Total net assets released from restrictions	<u>\$ 188,956</u>	<u>\$ 127,039</u>

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

SCHEDULE OF PROGRAM EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2004)

	<u>Sprint Programs</u>	<u>Slalom Programs</u>	<u>Other Athletic Support and Development</u>	<u>2005 Total Program</u>	<u>2004 Total Program</u>
Payroll and related expenses	\$ 122,279	\$ 159,826	\$ 7,666	\$ 289,771	\$ 244,232
Depreciation		8,297		8,297	10,800
Equipment				-	3,632
Office	5,239	5,239	807	11,285	13,525
Rent	14,641	14,641	2,256	31,538	27,102
Training				-	64,314
Travel	12,415	34,543		46,958	123,396
Trials and competition	49,119	188,999	19,234	257,352	187,368
Utilities	1,819	1,819	280	3,918	2,883
Miscellaneous, net		15,525		15,525	7,547
	<u>\$ 205,512</u>	<u>\$ 428,889</u>	<u>\$ 30,243</u>	<u>\$ 664,644</u>	<u>\$ 684,799</u>

See notes to financial statements.

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

SCHEDULE OF PROGRAM SUPPORTING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2004)

	<u>Management and General</u>	<u>Fund Raising</u>	<u>2005 Total Supporting</u>	<u>2004 Total Supporting</u>
Payroll and related expenses	\$ 108,387	\$ 21,999	\$ 130,386	\$ 137,360
Marketing and fund raising		1,150		20,000
Depreciation	4,581		4,581	4,043
Equipment	5,147		5,147	13,357
Insurance	27,608			48,411
Maintenance and repairs	500			179
Miscellaneous, net			-	784
Office expenses	9,658	2,318	11,976	18,912
Professional fees	28,405		28,405	12,656
Publications	676		676	16,588
Rent	31,988	6,474	38,462	37,897
Travel	32,243		32,243	58,294
Utilities	3,354	804	4,158	4,031
	<u>\$ 252,547</u>	<u>\$ 32,745</u>	<u>\$ 256,034</u>	<u>\$ 372,512</u>

See notes to financial statements.