



Financial Statements for the Years Ended
December 31, 2006 and 2005 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, 2006 and 2005, 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 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 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, 2006 and 2005, 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 10 and 11 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 22, 2007

TRUSTED BUSINESS ADVISORS

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

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2006 AND 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 23,744	\$ 119,244
Accounts receivable	4,100	27,757
Prepaid expenses	24,637	8,677
Pledges receivable, net	246,972	343,597
Property and equipment, net	33,821	31,424
Beneficial interest in endowment fund held by American Canoe Associations, Inc.	442,992	411,503
TOTAL ASSETS	\$ 776,266	\$ 942,202
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 34,995	\$ 55,104
Accrued expenses		13,046
Total liabilities	34,995	68,150
Net assets		
Unrestricted	33,497	118,952
Temporarily restricted	264,782	343,597
Permanently restricted	442,992	411,503
Total net assets	741,271	874,052
TOTAL LIABILITIES AND NET ASSETS	\$ 776,266	\$ 942,202

See notes to financial statements.

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support from United States Olympic Committee	\$ 651,810	\$ 2,531		\$ 654,341
Corporate sponsor contributions	49,291			49,291
Receipt of income from endowment funds held by American Canoe Association, Inc.	20,575			20,575
Special projects		11,000		11,000
Gifts and contributions	37,105			37,105
Membership dues	69,240			69,240
Events	54,894	6,810		61,704
Change in value of endowment funds held by American Canoe Association, Inc.			\$ 31,489	31,489
Other	6,919	6,825		13,744
Net assets released from restrictions	105,981	(105,981)		-
Total support and revenue	995,815	(78,815)	31,489	948,489
OPERATING EXPENSES:				
Program services	771,695			771,695
Fundraising	31,093			31,093
General and administrative	278,482			278,482
Total operating expenses	1,081,270	-	-	1,081,270
INCREASE (DECREASE) IN NET ASSETS	(85,455)	(78,815)	31,489	(132,781)
NET ASSETS, BEGINNING OF YEAR	118,952	343,597	411,503	874,052
NET ASSETS, END OF YEAR	\$ 33,497	\$ 264,782	\$ 442,992	\$ 741,271

See notes to financial statements.

NATIONAL PADDLING COMMITTEE, INC. (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	<u>1,066,018</u>	<u>22,763</u>	<u>5,277</u>	<u>1,094,058</u>
OPERATING EXPENSES:				
Program services	664,644			664,644
Fundraising	32,745			32,745
General and administrative	252,547			252,547
Total operating expenses	<u>949,936</u>	<u>-</u>	<u>-</u>	<u>949,936</u>
INCREASE IN NET ASSETS	116,082	22,763	5,277	144,122
NET ASSETS, BEGINNING OF YEAR	<u>2,870</u>	<u>320,834</u>	<u>406,226</u>	<u>729,930</u>
NET ASSETS, END OF YEAR	<u>\$ 118,952</u>	<u>\$ 343,597</u>	<u>\$ 411,503</u>	<u>\$ 874,052</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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (132,781)	\$ 144,122
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in discounts on pledges receivable	(4,375)	6,223
Depreciation	13,350	12,878
Donated property		(14,200)
Change in the beneficial interest in endowment funds held by American Canoe Association, Inc.	(31,489)	(5,277)
Changes in operating assets and liabilities:		
Accounts receivable	23,657	(27,118)
Prepaid expenses	(15,960)	(1,539)
Pledges receivable	101,000	(29,467)
Accounts payable	(20,109)	20,771
Accrued expenses	(13,046)	11,606
Net cash provided by (applied to) operating activities	<u>(79,753)</u>	<u>117,999</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(15,747)</u>	<u>(1,725)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(95,500)	116,274
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>119,244</u>	<u>2,970</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 23,744</u>	<u>\$ 119,244</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, 2006 AND 2005

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 – 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.

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. 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, 2006 and 2005, 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, 2006 or 2005.

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.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
USOC Joint Marketing Agreement	\$ 144,000	\$ 180,000
Donated facilities	<u>130,000</u>	<u>195,000</u>
Total	274,000	375,000
Less amortized discount	<u>27,028</u>	<u>31,403</u>
Net unconditional promises to give	<u>\$ 246,972</u>	<u>\$ 343,597</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Canoes and kayaks	\$ 113,710	\$ 113,075
Vehicles	53,607	53,607
Office furniture and equipment	<u>53,139</u>	<u>42,192</u>
	220,456	208,874
Less accumulated depreciation	<u>(186,635)</u>	<u>(177,450)</u>
Property and equipment, net	<u>\$ 33,821</u>	<u>\$ 31,424</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 \$20,575 and \$20,311 of operating funds to the NPC during the years ended December 31, 2006 and 2005, respectively. As of December 31, 2006 and 2005, ACA held assets of \$442,992 and \$411,503 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>2006</u>	<u>2005</u>
USOC Olympic Grant		\$ 250,000
Various competition and specific purpose grants	<u>\$ 651,810</u>	<u>409,603</u>
Total USOC revenue	<u>\$ 651,810</u>	<u>\$ 659,603</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>2006</u>	<u>2005</u>
Rent	\$ 120,987	\$ 184,143
Property and equipment	11,000	
General operations	125,985	159,454
Non-Olympic canoesport	<u>6,810</u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 264,782</u>	<u>\$ 343,597</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>2006</u>	<u>2005</u>
General operations	\$ 40,981	\$ 109,275
Rent	65,000	65,000
Property and equipment		14,200
Non-Olympic canoesports	<u> </u>	<u>481</u>
Total net assets released from restrictions	<u>\$ 105,981</u>	<u>\$ 188,956</u>

8. 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, 2006

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2005)

	<u>Sprint Programs</u>	<u>Slalom Programs</u>	<u>Other Athletic Support and Development</u>	<u>2006 Total Program</u>	<u>2005 Total Program</u>
Payroll and related expenses	\$ 158,279	\$ 164,654	\$ 8,222	\$ 331,155	\$ 289,771
Depreciation		7,195		7,195	8,298
Office	3,107	3,107	489	6,703	11,285
Rent	13,646	13,646	2,147	29,439	31,538
Travel	32,581	38,468		71,049	136,957
Trials and competition	168,767	130,054	19,823	318,644	167,352
Utilities	2,079	2,079	327	4,485	3,918
Miscellaneous, net		3,025		3,025	15,525
	<u>\$ 378,459</u>	<u>\$ 362,228</u>	<u>\$ 31,008</u>	<u>\$ 771,695</u>	<u>\$ 664,644</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, 2006
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2005)

	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>2006 Total Supporting</u>	<u>2005 Total Supporting</u>
Payroll and related expenses	\$ 121,323	\$ 22,096	\$ 143,419	\$ 130,386
Marketing and fund raising			-	1,150
Depreciation	6,155		6,155	4,580
Bad debt expense	8,484		8,484	-
Equipment	1,734		1,734	5,148
Interest expense	220		220	-
Insurance	26,334		26,334	27,608
Maintenance and repairs	250		250	500
Office expenses	6,611	1,484	8,095	11,977
Professional fees	15,020		15,020	28,405
Publications			-	676
Rent	34,042	6,520	40,562	38,462
Travel	53,883		53,883	32,242
Utilities	4,426	993	5,419	4,158
	<u>\$ 278,482</u>	<u>\$ 31,093</u>	<u>\$ 309,575</u>	<u>\$ 285,292</u>

See independent auditors' report.