



Financial Statements for the Years Ended
December 31, 2007 and 2006 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, 2007 and 2006, 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, 2007 and 2006, 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 11 and 12 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

July 28, 2008

TRUSTED BUSINESS ADVISORS

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

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2007 AND 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 10,869	\$ 23,744
Accounts receivable	40,696	4,100
Prepaid expenses	15,095	24,637
Pledges receivable, net	121,079	246,972
Property and equipment, net	77,662	33,821
Beneficial interest in endowment fund held by American Canoe Associations, Inc.	<u>463,033</u>	<u>442,992</u>
TOTAL ASSETS	<u>\$ 728,434</u>	<u>\$ 776,266</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 52,928	\$ 34,995
Deferred Revenue	<u>145,000</u>	
Total liabilities	<u>197,928</u>	<u>34,995</u>
Net assets		
Unrestricted	(95,127)	33,497
Temporarily restricted	162,600	264,782
Permanently restricted	<u>463,033</u>	<u>442,992</u>
Total net assets	<u>530,506</u>	<u>741,271</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 728,434</u>	<u>\$ 776,266</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	150,670	40,000		190,670
Membership dues	58,140			58,140
Events	102,122			102,122
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	1,464,201	(102,182)	20,041	1,382,060
OPERATING EXPENSES:				
Program services	1,221,380			1,221,380
Fundraising	59,680			59,680
General and administrative	311,765			311,765
Total operating expenses	1,592,825	-	-	1,592,825
INCREASE (DECREASE) IN NET ASSETS	(128,624)	(102,182)	20,041	(210,765)
NET ASSETS, BEGINNING OF YEAR	33,497	264,782	442,992	741,271
NET ASSETS, END OF YEAR	\$ (95,127)	\$ 162,600	\$ 463,033	\$ 530,506

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	<u>995,815</u>	<u>(78,815)</u>	<u>31,489</u>	<u>948,489</u>
OPERATING EXPENSES:				
Program services	771,695			771,695
Fundraising	31,093			31,093
General and administrative	278,482			278,482
Total operating expenses	<u>1,081,270</u>	<u>-</u>	<u>-</u>	<u>1,081,270</u>
INCREASE (DECREASE) IN NET ASSETS	(85,455)	(78,815)	31,489	(132,781)
NET ASSETS, BEGINNING OF YEAR	<u>118,952</u>	<u>343,597</u>	<u>411,503</u>	<u>874,052</u>
NET ASSETS, END OF YEAR	<u>\$ 33,497</u>	<u>\$ 264,782</u>	<u>\$ 442,992</u>	<u>\$ 741,271</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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (210,765)	\$ (132,781)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in discounts on pledges receivable	(11,107)	(4,375)
Depreciation	17,468	13,350
Change in the beneficial interest in endowment funds held by American Canoe Association, Inc.	(20,041)	(31,489)
Changes in operating assets and liabilities:		
Accounts receivable	(36,596)	23,657
Prepaid expenses	9,542	(15,960)
Pledges receivable	137,000	101,000
Accounts payable	17,933	(20,109)
Accrued expenses		(13,046)
Deferred revenue	145,000	
Net cash provided by (applied to) operating activities	<u>48,434</u>	<u>(79,753)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(61,309)</u>	<u>(15,747)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(12,875)	(95,500)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,744</u>	<u>119,244</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,869</u>	<u>\$ 23,744</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, 2007 AND 2006

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, 2007 and 2006, 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, 2007 or 2006.

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 \$43,000 for the year ended December 31, 2007. There were no donated services recorded for the year ended December 31, 2006. 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 2006 financial statements have been reclassified to conform with the 2007 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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
USOC Joint Marketing Agreement	\$ 72,000	\$ 144,000
Donated facilities	<u>65,000</u>	<u>130,000</u>
Total	137,000	274,000
Less amortized discount	<u>15,921</u>	<u>27,028</u>
Net unconditional promises to give	<u>\$ 121,079</u>	<u>\$ 246,972</u>

All pledges receivable are collectible in 2008 as of December 31, 2007.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Canoes and kayaks	\$ 172,810	\$ 113,710
Vehicles	53,607	53,607
Office furniture and equipment	<u>39,750</u>	<u>53,139</u>
	266,167	220,456
Less accumulated depreciation	<u>(188,505)</u>	<u>(186,635)</u>
Property and equipment, net	<u>\$ 77,662</u>	<u>\$ 33,821</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 \$22,150 and \$20,575 of operating funds to the NPC during the years ended December 31, 2007 and 2006, respectively. As of December 31, 2007 and 2006, ACA held assets of \$463,033 and \$442,992 for the benefit of NPC.

Investment income recognized during the years ended December 31, 2007 and 2006, respectively, are comprised of the following:

	<u>2007</u>	<u>2006</u>
Dividend and interest income	\$ 11,436	\$ 10,036
Net realized gains on investments	50,095	29,595
Net unrealized gains (losses) on investments	<u>(19,340)</u>	<u>12,433</u>
	42,191	52,064
Disbursement of 5% of endowment for operating purposes included in unrestricted support and revenue	<u>(22,150)</u>	<u>(20,575)</u>
Permanently restricted investment income	<u>\$ 20,041</u>	<u>\$ 31,489</u>

5. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Rent	\$ 59,623	\$ 120,987
Property and equipment	37,940	11,000
General operations	61,456	125,985
International Relations grant	1,534	
Non-Olympic canoesport	<u>2,047</u>	<u>6,810</u>
Total temporarily restricted net assets	<u>\$ 162,600</u>	<u>\$ 264,782</u>

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

6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions as follows:

	<u>2007</u>	<u>2006</u>
General operations	\$ 72,000	\$ 40,981
Rent	65,000	65,000
Property and equipment	13,060	
International Relations grant	22,640	
Non-Olympic canoesports	<u>18,112</u>	<u> </u>
Total net assets released from restrictions	<u>\$ 190,812</u>	<u>\$ 105,981</u>

7. 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>2007</u>	<u>2006</u>
USOC Olympic Grant	\$ 671,843	\$ 627,230
Various competition and specific purpose grants	51,445	24,580
Contract bonus	50,000	
Change in pledge receivable discount	<u>7,471</u>	<u>2,531</u>
Total USOC revenue	<u>\$ 780,759</u>	<u>\$ 654,341</u>

The Committee is highly dependent on grants from the USOC.

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, 2007

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2006)

	<u>Sprint Programs</u>	<u>Slalom Programs</u>	<u>Other Athletic Support and Development</u>	<u>2007 Total Program</u>	<u>2006 Total Program</u>
Payroll and related expenses	\$ 192,692	\$ 175,748	\$ 7,842	\$ 376,282	\$ 331,155
Depreciation		10,498		10,498	7,196
Office	2,510	2,510	410	5,430	6,703
Rent	13,487	13,487	2,204	29,178	29,439
Travel	28,091	54,540		82,631	161,048
Trials and competition	324,439	270,288	94,952	689,679	228,644
Utilities	3,706	3,706	606	8,018	4,485
Miscellaneous, net		19,664		19,664	3,025
	<u>\$ 564,925</u>	<u>\$ 550,441</u>	<u>\$ 106,014</u>	<u>\$ 1,221,380</u>	<u>\$ 771,695</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, 2007
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2006)

	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>2007 Total Supporting</u>	<u>2006 Total Supporting</u>
Payroll and related expenses	\$ 134,651	\$ 21,705	\$ 156,356	\$ 143,419
Marketing and fund raising		29,060	29,060	-
Depreciation	6,970		6,970	6,154
Bad debt expense			-	8,484
Equipment	1,055		1,055	1,735
Interest expense			-	220
Insurance	34,991		34,991	26,334
Maintenance and repairs			-	250
Office expenses	5,532	1,137	6,669	8,095
Professional fees	21,880		21,880	15,020
Rent	34,720	6,101	40,821	40,562
Travel	63,799		63,799	53,883
Utilities	8,167	1,677	9,844	5,419
	<u>\$ 311,765</u>	<u>\$ 59,680</u>	<u>\$ 371,445</u>	<u>\$ 309,575</u>

See independent auditors' report.