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Financial Statements for the Years Ended  
December 31, 2009 and 2008 and  
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the National Paddling Committee Inc., (d/b/a USA Canoe/Kayak) ("Committee") as of December 31, 2009 and 2008, 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 Committee'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, 2009 and 2008, 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*

August 25, 2010

TRUSTED BUSINESS ADVISORS

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

### STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

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<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 71,226	\$ 61,150
Accounts receivable and advances to employees	12,787	300
Prepaid expenses	6,143	28,008
Property, net	41,493	58,617
Beneficial interest in endowment fund held by American Canoe Associations, Inc.	<u>370,411</u>	<u>306,689</u>
TOTAL	<u>\$ 502,060</u>	<u>\$ 454,764</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 44,923	\$ 77,391
Accrued expenses	<u>28,000</u>	<u>3,770</u>
Total liabilities	<u>72,923</u>	<u>81,161</u>
NET ASSETS:		
Unrestricted	20,770	44,775
Temporarily restricted	37,956	22,139
Permanently restricted	<u>370,411</u>	<u>306,689</u>
Total net assets	<u>429,137</u>	<u>373,603</u>
TOTAL	<u>\$ 502,060</u>	<u>\$ 454,764</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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support from United States Olympic Committee	\$ 595,179			\$ 595,179
Corporate sponsor contributions	226,250			226,250
Receipt of income from endowment funds held by American Canoe Association, Inc.	15,334			15,334
Gifts and contributions	107,839	\$ 30,000		137,839
Membership dues	83,397			83,397
Events	21,925			21,925
Change in value of endowment funds held by American Canoe Association, Inc.			\$ 63,722	63,722
Other	19,788	2,212		22,000
Net assets released from restrictions	16,395	(16,395)		-
Total support and revenue	<u>1,086,107</u>	<u>15,817</u>	<u>63,722</u>	<u>1,165,646</u>
OPERATING EXPENSES:				
Program services	757,952			757,952
Fundraising	64,248			64,248
General and administrative	287,912			287,912
Total operating expenses	<u>1,110,112</u>	<u>-</u>	<u>-</u>	<u>1,110,112</u>
INCREASE (DECREASE) IN NET ASSETS	(24,005)	15,817	63,722	55,534
NET ASSETS, BEGINNING OF YEAR	<u>44,775</u>	<u>22,139</u>	<u>306,689</u>	<u>373,603</u>
NET ASSETS, END OF YEAR	<u>\$ 20,770</u>	<u>\$ 37,956</u>	<u>\$ 370,411</u>	<u>\$ 429,137</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>
<b>SUPPORT AND REVENUE:</b>				
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)	<b>(156,344)</b>
Other	19	35,786		35,805
Net assets released from restrictions	195,637	(195,637)		-
<b>Total support and revenue</b>	<u>1,630,861</u>	<u>(140,461)</u>	<u>(156,344)</u>	<u>1,334,056</u>
<b>OPERATING EXPENSES:</b>				
Program services	1,150,184			1,150,184
Fundraising	38,263			38,263
General and administrative	302,512			302,512
<b>Total operating expenses</b>	<u>1,490,959</u>	<u>-</u>	<u>-</u>	<u>1,490,959</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	139,902	(140,461)	(156,344)	(156,903)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(95,127)</u>	<u>162,600</u>	<u>463,033</u>	<u>530,506</u>
<b>NET ASSETS, END OF YEAR</b>	<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)

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 55,534	\$ (156,903)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in discounts on pledges receivable		(15,921)
Depreciation	20,177	21,008
Change in the beneficial interest in endowment funds held by American Canoe Association, Inc.	(63,722)	156,344
Changes in operating assets and liabilities:		
Accounts receivable	(12,487)	40,396
Prepaid expenses	21,865	(12,913)
Pledges receivable		137,000
Accounts payable	(32,468)	24,463
Accrued expenses	24,230	3,770
Deferred revenue		(145,000)
Net cash provided by operating activities	<u>13,129</u>	<u>52,244</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(3,053)</u>	<u>(1,963)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,076	50,281
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>61,150</u>	<u>10,869</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 71,226</u>	<u>\$ 61,150</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, 2009 AND 2008

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### 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - The United States Olympic Committee (USOC) recognized the National Paddling Committee ("Committee") 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.

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, 2009 and 2008, 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, 2009 or 2008.

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.

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.

Contributions containing donor-imposed restrictions are reported as an increase in temporarily restricted net assets. When a time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized.

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 Committee records donated materials at estimated fair value when an objective basis of measurement exists to value such donations. The fair value of the donated services and materials was \$90,000 and \$80,000 for the years ended December 31, 2009 and 2008, respectively.

Income Taxes - The Committee 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.

Effective January 1, 2009, the Committee adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification 740, *Income Taxes* that pertain to uncertainty in income taxes. This guidance, among other things, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, and disclosures. There were no liabilities for uncertain income tax positions recorded as of December 31, 2009.

Functional Expense Classification - The Committee's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Reclassifications - Certain amounts in the 2008 financial statements have been reclassified to conform with the 2009 presentation. Such reclassifications had no effect on reported net income.

Subsequent Events - In preparing its financial statements, the Company has evaluated subsequent events through August 25, 2010, which is the date the financial statements were available to be issued.

## 2. PROPERTY

Property and equipment consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Canoes and kayaks	\$ 169,810	\$ 169,810
Vehicles	53,607	53,607
Office furniture and equipment	<u>47,767</u>	<u>44,714</u>
	271,184	268,131
Less accumulated depreciation	<u>(229,691)</u>	<u>(209,514)</u>
Property and equipment, net	<u>\$ 41,493</u>	<u>\$ 58,617</u>

## 3. NATIONAL GOVERNING BODY FEES

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

As part of a National Governing Body (NGB) Transition Agreement made between ACA and the Committee, 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. The Committee 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 \$15,334 and \$23,152 of operating funds to the Committee during the years ended December 31, 2009 and 2008, respectively.

## 4. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Committee adopted FASB ASC 820, *Fair Value Measurements and Disclosures*. There was no impact to the Committee's financial position or results of operations upon adoption. FASB ASC 820 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 the Committee'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, 2009 and 2008, the valuation of all of the investments held utilized Level 3 inputs, as defined above.

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 years ended December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 306,689	\$ 463,033
Realized gain (loss)	(9,312)	2,307
Unrealized gain (loss)	81,927	(143,890)
Purchases, sales and settlements	6,441	8,391
Transfers out	<u>(15,334)</u>	<u>(23,152)</u>
Balance, end of year	<u>\$ 370,411</u>	<u>\$ 306,689</u>

## 5. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Property and equipment	\$ 5,727	\$ 20,530
Olympic canoesport	30,000	
Non-Olympic canoesport	<u>2,229</u>	<u>1,609</u>
Total temporarily restricted net assets	<u>\$ 37,956</u>	<u>\$ 22,139</u>

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

6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions as follows:

	<u>2009</u>	<u>2008</u>
General operations		\$ 72,000
Rent		65,000
Property and equipment	\$ 14,803	17,411
International Relations grant		9,280
Non-Olympic canoesports	<u>1,592</u>	<u>31,946</u>
Total net assets released from restrictions	<u>\$ 16,395</u>	<u>\$ 195,637</u>

7. ECONOMIC DEPENDENCY

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

	<u>2009</u>	<u>2008</u>
USOC Olympic Grant	\$ 561,519	\$ 745,082
Various competition and specific purpose grants	33,660	37,801
Change in pledge receivable discount	<u>                    </u>	<u>10,544</u>
Total USOC revenue	<u>\$ 595,179</u>	<u>\$ 793,427</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, 2009  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE  
YEAR ENDED DECEMBER 31, 2008)

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	<u>Sprint Programs</u>	<u>Slalom Programs</u>	<u>Other Athletic Support and Development</u>	<u>2009 Total Program</u>	<u>2008 Total Program</u>
Payroll and related expenses	\$ 205,867	\$ 187,887	\$ 10,955	\$ 404,709	\$ 423,142
Depreciation	12,625			12,625	13,567
Office	2,798	2,798	731	6,327	8,244
Rent	4,498	4,498	1,174	10,170	30,242
Travel	54,116	57,796		111,912	97,900
Trials and competition	105,138	69,131	31,116	205,385	570,783
Utilities	3,018	3,018	788	6,824	8,220
Miscellaneous, net				-	(1,914)
	<u>\$ 388,060</u>	<u>\$ 325,128</u>	<u>\$ 44,764</u>	<u>\$ 757,952</u>	<u>\$ 1,150,184</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, 2009  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE  
YEAR ENDED DECEMBER 31, 2008)

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	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>2009 Total Supporting</u>	<u>2008 Total Supporting</u>
Payroll and related expenses	\$ 124,414	\$ 39,688	\$ 164,102	\$ 131,284
Marketing and fund raising		14,803	14,803	7,411
Depreciation	7,552		7,552	7,441
Insurance	31,062		31,062	32,921
Office expenses	10,712	2,647	13,359	10,335
Professional fees	35,912		35,912	29,748
Rent	10,575	4,255	14,830	34,758
Travel	45,418		45,418	64,842
Utilities	7,095	2,855	9,950	9,446
Miscellaneous	15,172		15,172	12,589
	<u>\$ 287,912</u>	<u>\$ 64,248</u>	<u>\$ 352,160</u>	<u>\$ 340,775</u>

See independent auditors' report.