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Financial Statements for the Years Ended  
December 31, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 22, 2011

TRUSTED BUSINESS ADVISORS

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

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 54,368	\$ 71,226
Employee advances	8,026	12,787
Other	6,378	6,143
Property, net	23,608	41,493
Beneficial interest in endowment fund held by American Canoe Associations, Inc.	<u>394,662</u>	<u>370,411</u>
TOTAL	<u>\$ 487,042</u>	<u>\$ 502,060</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 28,546	\$ 44,923
Accrued expenses	<u>3,000</u>	<u>28,000</u>
Total liabilities	<u>31,546</u>	<u>72,923</u>
NET ASSETS:		
Unrestricted	45,974	20,770
Unrestricted - board designated non-olympic canoesports	6,727	
Temporarily restricted	8,133	37,956
Permanently restricted	<u>394,662</u>	<u>370,411</u>
Total net assets	<u>455,496</u>	<u>429,137</u>
TOTAL	<u>\$ 487,042</u>	<u>\$ 502,060</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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support from United States Olympic Committee	\$ 736,531			\$ 736,531
Corporate sponsor contributions	185,000			185,000
Receipt of income from endowment funds held by American Canoe Association, Inc.	18,521			18,521
Gifts and contributions	82,998	\$ 1,551		84,549
Membership dues	82,917			82,917
Events	9,536			9,536
Change in value of endowment funds held by American Canoe Association, Inc.			\$ 24,251	24,251
Other	96,900	6,576		103,476
Net assets released from restrictions	37,950	(37,950)		-
Total support and revenue	<u>1,250,353</u>	<u>(29,823)</u>	<u>24,251</u>	<u>1,244,781</u>
OPERATING EXPENSES:				
Program services	949,885			949,885
Fundraising	58,670			58,670
General and administrative	209,867			209,867
Total operating expenses	<u>1,218,422</u>	<u>-</u>	<u>-</u>	<u>1,218,422</u>
INCREASE (DECREASE) IN NET ASSETS	31,931	(29,823)	24,251	26,359
NET ASSETS, BEGINNING OF YEAR	<u>20,770</u>	<u>37,956</u>	<u>370,411</u>	<u>429,137</u>
NET ASSETS, END OF YEAR	<u>\$ 52,701</u>	<u>\$ 8,133</u>	<u>\$ 394,662</u>	<u>\$ 455,496</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	803,589			803,589
Fundraising	64,248			64,248
General and administrative	242,275			242,275
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**

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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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 - 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.

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 and for administrative activities, such as, amending Bylaws. These services were recognized based on estimated fair value in support and revenue and in program services and management 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 \$79,000 and \$90,000 for the years ended December 31, 2010 and 2009, 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.

The Committee records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. As of December 31, 2010, the tax years ended December 31, 2007 through 2010 were open for potential examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of December 31, 2010 and 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.

Advertising Expense - The Company expenses the cost of advertising as incurred. The accompanying statements of income include advertising expense of approximately \$4,000 and \$2,000 for the years ended December 31, 2010 and 2009, respectively.

Reclassifications - Certain amounts in the 2009 financial statements have been reclassified to conform with the 2010 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 22, 2011, which is the date the financial statements were available to be issued.

## 2. PROPERTY

Property and equipment consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Canoes and kayaks	\$ 169,810	\$ 169,810
Vehicles	53,607	53,607
Office furniture and equipment	<u>47,767</u>	<u>47,767</u>
	271,184	271,184
Less accumulated depreciation	<u>(247,576)</u>	<u>(226,691)</u>
Property and equipment, net	<u>\$ 23,608</u>	<u>\$ 41,493</u>

### 3. BENEFICIAL INTEREST IN ENDOWMENT

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 \$18,521 and \$15,334 of operating funds to the Committee during the years ended December 31, 2010 and 2009, respectively.

### 4. FAIR VALUE MEASUREMENTS

Fair value is defined 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, 2010 and 2009, 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 Committee's 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 as reported to the committee by the ACA for the years ended December 31, 2010 and 2009. There have been no changes in the methodologies used at December 31, 2010.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 370,411	\$ 306,689
Realized gain (loss)	(18,963)	(9,312)
Unrealized gain (loss)	55,782	81,927
Purchases, sales and settlements	5,953	6,441
Transfers out	<u>(18,521)</u>	<u>(15,334)</u>
Balance, end of year	<u>\$ 394,662</u>	<u>\$ 370,411</u>

5. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Property and equipment	\$	\$ 5,727
Olympic canoesport	1,551	30,000
Non-Olympic canoesport	<u>6,582</u>	<u>2,229</u>
Total temporarily restricted net assets	<u>\$ 8,133</u>	<u>\$ 37,956</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>2010</u>	<u>2009</u>
Property and equipment	\$ 5,727	\$ 14,803
Olympic canoesports	30,000	
Non-Olympic canoesports	<u>2,223</u>	<u>1,592</u>
Total net assets released from restrictions	<u>\$ 37,950</u>	<u>\$ 16,395</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>2010</u>	<u>2009</u>
USOC Olympic Grant	\$ 687,715	\$ 561,519
Various competition and specific purpose grants	<u>48,816</u>	<u>33,660</u>
Total USOC revenue	<u>\$ 736,531</u>	<u>\$ 595,179</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 3). 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, 2010  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE  
YEAR ENDED DECEMBER 31, 2009)

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	<u>Sprint Programs</u>	<u>Slalom Programs</u>	<u>Other Athletic Support and Development</u>	<u>2010 Total Program</u>	<u>2009 Total Program</u>
Payroll and related expenses	\$ 249,279	\$ 241,802	\$ 17,977	\$ 509,058	\$ 442,181
Depreciation	12,403			12,403	12,625
Office	5,828	4,711	862	11,401	6,327
Rent	5,703	4,610	843	11,156	10,170
Travel	48,597	66,180		114,777	120,776
Trials and competition	116,019	68,687	97,892	282,598	204,686
Utilities	4,341	3,509	642	8,492	6,824
	<u>\$ 442,170</u>	<u>\$ 389,499</u>	<u>\$ 118,216</u>	<u>\$ 949,885</u>	<u>\$ 803,589</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, 2010  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE  
YEAR ENDED DECEMBER 31, 2009)

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	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>2010 Total Supporting</u>	<u>2009 Total Supporting</u>
Payroll and related expenses	\$ 82,156	\$ 42,458	\$ 124,614	\$ 126,630
Marketing and fund raising		4,214	4,214	14,803
Depreciation	5,482		5,482	7,552
Insurance	34,114		34,114	31,062
Office expenses	8,061	8,491	16,552	13,359
Professional fees	37,673		37,673	35,912
Rent	3,853	1,991	5,844	14,830
Travel	23,106		23,106	37,253
Utilities	2,933	1,516	4,449	9,950
Miscellaneous	12,489		12,489	15,172
	<u>\$ 209,867</u>	<u>\$ 58,670</u>	<u>\$ 268,537</u>	<u>\$ 306,523</u>

See independent auditors' report.