

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

AMERICAN CANOE ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Canoe Association
Fredericksburg, Virginia

We have audited the accompanying financial statements of the American Canoe Association (ACA), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACA as of September 30, 2016, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited ACA's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

June 26, 2018

AMERICAN CANOE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 782,308	\$ 715,878
Accounts receivable	1,960	1,725
Due from related parties	-	3,192
Inventory	110,298	59,998
Prepaid expenses	<u>39,618</u>	<u>37,706</u>
Total current assets	<u>934,184</u>	<u>818,499</u>
FIXED ASSETS		
Furniture	81,357	78,197
Computer equipment	95,925	95,925
Leasehold improvements	4,835	4,835
Camp Assets	<u>5,000</u>	<u>5,000</u>
	187,117	183,957
Less: Accumulated depreciation	<u>(134,096)</u>	<u>(100,932)</u>
Net fixed assets	<u>53,021</u>	<u>83,025</u>
OTHER ASSETS		
Land:		
Sugar Island	1,314,221	1,314,221
Fredericksburg	345,000	345,000
Investments	<u>167,157</u>	<u>298,157</u>
Total other assets	<u>1,826,378</u>	<u>1,957,378</u>
TOTAL ASSETS	<u>\$ 2,813,583</u>	<u>\$ 2,858,902</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Notes payable	\$ 140,128	\$ 159,754
Accounts payable and accrued liabilities	112,494	90,511
Due to related parties	2,633	-
Deferred revenue	<u>18,435</u>	<u>23,862</u>
Total current liabilities	<u>273,690</u>	<u>274,127</u>
NET ASSETS		
Unrestricted	2,266,602	2,111,613
Temporarily restricted	<u>273,291</u>	<u>473,162</u>
Total net assets	<u>2,539,893</u>	<u>2,584,775</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,813,583</u>	<u>\$ 2,858,902</u>

See accompanying notes to financial statements.

AMERICAN CANOE ASSOCIATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 220,808	\$ 52,297	\$ 273,105	\$ 255,531
Government grants	-	437,189	437,189	227,000
Investment income	-	24,532	24,532	(6,561)
Membership	743,437	-	743,437	719,175
Program income	174,603	-	174,603	171,385
Sales of inventory	75,870	-	75,870	71,635
Other revenue	385	-	385	3,735
Net assets released from donor restrictions	713,889	(713,889)	-	-
Total revenue	1,928,992	(199,871)	1,729,121	1,441,900
EXPENSES				
Program Expenses	1,472,480	-	1,472,480	1,181,483
Management and General	301,523	-	301,523	247,022
Total expenses	1,774,003	-	1,774,003	1,428,505
Change in net assets	154,989	(199,871)	(44,882)	13,395
Net assets at beginning of year	2,111,613	473,162	2,584,775	2,571,380
NET ASSETS AT END OF YEAR	\$ 2,266,602	\$ 273,291	\$ 2,539,893	\$ 2,584,775

AMERICAN CANOE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015
	Program Expenses	Management and General	Total Expenses	Total Expenses
Payroll expenses, taxes and benefits	\$ 474,667	\$ 135,728	\$ 610,395	\$ 588,671
Insurance and other expenses	129,867	22,918	152,785	109,313
Facilities and equipment	147,426	22,578	170,004	169,570
Contract services	183,074	32,307	215,381	134,249
Operations	148,015	26,120	174,135	140,744
Event costs	195,109	45,577	240,686	94,893
Bank/finance charge	1,700	300	2,000	10,452
Credit card processing fees	25,780	4,549	30,329	26,484
Grants to other organizations	97,527	-	97,527	10,000
Sponsorship	4,453	-	4,453	83,715
Merchandise and member benefits	64,862	11,446	76,308	60,414
TOTAL	\$ 1,472,480	\$ 301,523	\$ 1,774,003	\$ 1,428,505

AMERICAN CANOE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (44,882)	\$ 13,395
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	33,164	37,960
Realized and unrealized (gain) loss	(23,017)	10,106
(Increase) decrease in:		
Accounts receivable	2,957	(3,403)
Inventory	(50,300)	4,826
Prepaid expenses	(1,912)	(22,800)
Deposit	-	2,500
Increase (decrease) in:		
Accounts payable and accrued liabilities	21,983	(7,964)
Due to related parties	2,633	-
Deferred revenue	<u>(5,427)</u>	<u>3,698</u>
Net cash (used) provided by operating activities	<u>(64,801)</u>	<u>38,318</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(3,160)	(12,321)
Purchase of investments	(1,483)	(3,545)
Sale of investments	<u>155,500</u>	<u>131,974</u>
Net cash provided by investing activities	<u>150,857</u>	<u>116,108</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	<u>(19,626)</u>	<u>(17,524)</u>
Net cash used by financing activities	<u>(19,626)</u>	<u>(17,524)</u>
Net increase in cash and cash equivalents	66,430	136,902
Cash and cash equivalents at beginning of year	<u>715,878</u>	<u>578,976</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 782,308</u>	<u>\$ 715,878</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 6,774</u>	<u>\$ 6,705</u>

AMERICAN CANOE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Canoe Association (ACA) was founded in 1880 and incorporated in 1927 to unite persons interested in canoeing, to provide educational, informational and training services, and to increase the safety, enjoyment and skills of those canoeing on rivers, lakes, estuaries and bodies of water.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ACA's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Cash and cash equivalents -

ACA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, ACA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Accounts receivable are expected to be collected within one year.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended September 30, 2016 totaled \$33,164.

Income taxes -

ACA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. ACA is not a private foundation.

AMERICAN CANOE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Uncertain tax positions -

For the year ended September 30, 2016, ACA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Inventory -

Inventory consists of canoeing merchandise and publications, which are recorded at the lower of cost or market value using the average cost method.

Revenue recognition -

Membership dues, contributions and government grant revenue are recognized when notification is received from the donor, which is generally when received. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. Program income is generally recognized when earned. Deferred revenue consists of advance payments received for program revenue.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ACA.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ACA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributed land -

Contributed land is recorded at its fair market value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to ACA; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

AMERICAN CANOE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

ACA invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

ACA adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. ACA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In 2015, the FASB issued ASU 2015-07, *Fair Value Measurement* (Topic 820). The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU becomes effective for years beginning after December 15, 2016. The ASU should be applied on a retrospective basis in the year the ASU is first applied.

In 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. The ASU requires the inventory to be measured at the lower of cost and net realizable value. Net realizable value includes the estimated selling prices in ordinary course business less reasonably predictive costs of completion, disposal and transportation. The ASU becomes effective for years beginning after December 15, 2016. The ASU should be applied on a prospective basis in the year the ASU is first applied.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions.

The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the ACA's financial statements, it is not expected to alter the ACA's reported financial position.

AMERICAN CANOE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

ACA plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consist of an interest in a pool of investment funds held with the United States Olympic Foundation. ACA does not control the investments and normally is obligated to pay annually five percent of the value of the fund as of December of the preceding year to the USA Canoe and Kayak Team (USACK). During the year ended September 30, 2016, however, a total of \$155,500 was distributed from the account, of which \$86,486 was distributed to USACK (see Note 9). The payment made is included in "Grants to other organizations" on the Statement of Functional Expenses. Net investment income from this investment totaled \$24,532, which consisted of the following for the year ended September 30, 2016:

Interest and dividends	\$ 1,515
Unrealized gain	13,444
Realized gain	<u>9,573</u>
TOTAL INVESTMENT INCOME	<u>\$ 24,532</u>

3. SUGAR ISLAND - LAND AND BUILDINGS

ACA was granted possession of eight islands located in the St. Lawrence River in Canada in 1901. In 2009, a court in Canada concluded after a legal proceeding that ACA was the sole and absolute owner in fee simple of these islands. ACA recorded the value of those lands in 2009, based upon the assessed value of the land by Canadian authorities, for \$1,300,000. This amount, plus the value of certain buildings on the property, is shown in other assets on the Statement of Financial Position.

4. NOTE PAYABLE

ACA entered into a Promissory Note Agreement with Wells Fargo Bank in August 2008, for a line of credit with a ceiling of \$350,000. ACA initially borrowed approximately \$240,000. In July 2011, the note was restructured under a Forbearance Agreement, whereby ACA would make monthly payments of principal and interest totaling \$2,200. Interest is charged at 4.25% per annum, and totaled \$6,774 for the year ended September 30, 2016. The note matured on August 1, 2013. ACA is seeking to renew the note under similar terms; however, no agreement has been reached as of the date of these financial statements. The note is secured by all of ACA's personal property.

The fair value of the note approximates the carrying value based upon terms and rates ACA could obtain for obligations of a similar nature.

AMERICAN CANOE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. PADDLESPORT PUBLISHING, INC.

ACA is an 83.3% shareholder of Paddlesport Publishing, Inc. (PPI), a separate for-profit corporation. This corporation is dormant and is no longer active in business. All investments and amounts advanced to PPI by ACA have been written off, and PPI does not have any realizable assets at this time. No accounts payables or other liabilities of PPI are reflected on these financial statements, as they are not expected to be paid.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2016:

ACA Olympic Committee Fund	\$ 167,157
Government grant and other programs	63,988
Other	<u>42,146</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>273,291</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

ACA Olympic Committee Fund	\$ 155,532
Government grant and other programs	501,455
Other	<u>56,902</u>
	\$ <u>713,889</u>

7. LEASE COMMITMENTS

ACA leased office space under a lease agreement which originated in October 2013 until they moved into a new office space in January 2014. ACA's new lease is under a three-year agreement. Base rent is \$2,500 per month, plus a proportionate share of expenses, increasing by a factor of 3% per year.

The following is a schedule of the future minimum lease payments:

Year Ending September 30, 2017	\$ <u>7,957</u>
---------------------------------------	------------------------

Rent expense was \$45,735 for the year ended September 30, 2016, for this office space. In addition to rent, ACA also pays rent for storage and for certain camp sites.

8. PENSION PLAN

ACA sponsors a 401(k) plan for the benefit of its employees. Employees may defer a portion of their salary into the plan, up to the statutory limit. ACA currently does not match or contribute to the Plan.

AMERICAN CANOE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

9. RELATED PARTY AND SUBSEQUENT EVENT

In February 2015, ACA entered into a management agreement with USACK, where it was expected that ACA would provide administrative support to USACK, with a view to having the operations of USACK transferred to ACA. ACA did make a distribution to USACK in 2016 (see Note 2), but the management/merger agreement was terminated in 2016.

In October of 2017, the U.S. Olympic Committee approved ACA as the National Governing Body in the United States for the Olympic sport of canoe/kayaking.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, ACA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market ACA has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2016.

Pooled Separate Account: Valued at the net asset value of ACA's interest in the pool of assets held by the United States Olympic Foundation.

The table below summarizes, by level within the fair value hierarchy, ACA's investments as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Pooled Separate Account	\$ -	\$ 167,157	\$ -	\$ 167,157

The following table breaks down the makeup of the pool of assets in the pooled separate account as of September 30, 2016:

Alternative investments	38.21%
Domestic equities	30.96%
International equities	20.51%
Domestic bonds	6.92%
Cash and cash equivalents	0.40%
International bonds	3.00%
TOTAL	100.00%

AMERICAN CANOE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

11. SUBSEQUENT EVENTS

In preparing these financial statements, ACA has evaluated events and transactions for potential recognition or disclosure through June 26, 2018, the date the financial statements were issued.