

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, 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, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 743,865	\$ 782,308
Accounts receivable	17,892	1,960
Inventory	107,804	110,298
Prepaid expenses	<u>30,265</u>	<u>39,618</u>
Total current assets	<u>899,826</u>	<u>934,184</u>
FIXED ASSETS		
Furniture	82,198	81,357
Computer equipment	95,925	95,925
Leasehold improvements	4,835	4,835
Camp Assets	<u>5,000</u>	<u>5,000</u>
	187,958	187,117
Less: Accumulated depreciation	<u>(151,709)</u>	<u>(134,096)</u>
Net fixed assets	<u>36,249</u>	<u>53,021</u>
OTHER ASSETS		
Land:		
Sugar Island	1,314,221	1,314,221
Fredericksburg	345,000	345,000
Investments	<u>188,135</u>	<u>167,157</u>
Total other assets	<u>1,847,356</u>	<u>1,826,378</u>
TOTAL ASSETS	<u>\$ 2,783,431</u>	<u>\$ 2,813,583</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Notes payable	\$ 119,591	\$ 140,128
Accounts payable and accrued liabilities	117,641	112,494
Due to related parties	11,279	2,633
Deferred revenue	<u>5,086</u>	<u>18,435</u>
Total current liabilities	<u>253,597</u>	<u>273,690</u>
NET ASSETS		
Unrestricted	2,117,161	2,266,602
Temporarily restricted	<u>412,673</u>	<u>273,291</u>
Total net assets	<u>2,529,834</u>	<u>2,539,893</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,783,431</u>	<u>\$ 2,813,583</u>

See accompanying notes to financial statements.

AMERICAN CANOE ASSOCIATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 25,122	\$ 66,226	\$ 91,348	\$ 273,105
Government grants	-	385,089	385,089	437,189
Investment income	-	21,019	21,019	24,532
Membership	757,943	-	757,943	743,437
Program income	144,378	-	144,378	174,603
Sales of inventory	75,475	-	75,475	75,870
Other revenue	10,845	-	10,845	385
Net assets released from donor restrictions	<u>332,952</u>	<u>(332,952)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,346,715</u>	<u>139,382</u>	<u>1,486,097</u>	<u>1,729,121</u>
EXPENSES				
Program Expenses	1,226,772	-	1,226,772	1,472,480
Management and General	<u>269,384</u>	<u>-</u>	<u>269,384</u>	<u>301,523</u>
Total expenses	<u>1,496,156</u>	<u>-</u>	<u>1,496,156</u>	<u>1,774,003</u>
Change in net assets	(149,441)	139,382	(10,059)	(44,882)
Net assets at beginning of year	<u>2,266,602</u>	<u>273,291</u>	<u>2,539,893</u>	<u>2,584,775</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,117,161</u>	<u>\$ 412,673</u>	<u>\$ 2,529,834</u>	<u>\$ 2,539,893</u>

AMERICAN CANOE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			2016
	Program Expenses	Management and General	Total Expenses	Total Expenses
Payroll expenses, taxes and benefits	\$ 407,187	\$ 135,728	\$ 542,915	\$ 610,395
Insurance and other expenses	110,443	19,490	129,933	152,785
Facilities and equipment	138,773	21,709	160,482	170,004
Contract services	161,383	28,479	189,862	215,381
Operations	119,719	21,127	140,846	174,135
Event costs	156,137	27,554	183,691	240,686
Bank/finance charge	2,413	424	2,837	2,000
Credit card processing fees	21,614	3,814	25,428	30,329
Grants to other organizations	42,837	-	42,837	97,527
Sponsorship	3,600	-	3,600	4,453
Merchandise and member benefits	62,666	11,059	73,725	76,308
TOTAL	\$ 1,226,772	\$ 269,384	\$ 1,496,156	\$ 1,774,003

AMERICAN CANOE ASSOCIATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (10,059)	\$ (44,882)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	17,613	33,164
Realized and unrealized gain	(19,814)	(23,017)
(Increase) decrease in:		
Accounts receivable	(15,932)	2,957
Inventory	2,494	(50,300)
Prepaid expenses	9,353	(1,912)
Increase (decrease) in:		
Accounts payable and accrued liabilities	5,147	21,983
Due to related parties	8,646	2,633
Deferred revenue	<u>(13,349)</u>	<u>(5,427)</u>
Net cash used by operating activities	<u>(15,901)</u>	<u>(64,801)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(841)	(3,160)
Purchase of investments	(1,164)	(1,483)
Sale of investments	<u>-</u>	<u>155,500</u>
Net cash (used) provided by investing activities	<u>(2,005)</u>	<u>150,857</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	<u>(20,537)</u>	<u>(19,626)</u>
Net cash used by financing activities	<u>(20,537)</u>	<u>(19,626)</u>
Net (decrease) increase in cash and cash equivalents	(38,443)	66,430
Cash and cash equivalents at beginning of year	<u>782,308</u>	<u>715,878</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 743,865</u>	<u>\$ 782,308</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 5,864</u>	<u>\$ 6,774</u>

AMERICAN CANOE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2016, 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, 2017 totaled \$17,613.

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, 2017

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

Uncertain tax positions -

For the year ended September 30, 2017, 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, 2017

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 ACA's financial statements, it is not expected to alter ACA's reported financial position.

AMERICAN CANOE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**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, 2017, however, no distribution was made from the pool of investments. A total of \$30,985 was distributed to USACK (see Note 9), and is included in "Grants to other organizations" on the Statement of Functional Expenses. Net investment income from this investment totaled \$21,019, which consisted of the following for the year ended September 30, 2017:

Interest and dividends	\$ 1,205
Unrealized gain	8,090
Realized gain	<u>11,724</u>
TOTAL INVESTMENT INCOME	<u>\$ 21,019</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 \$5,864 for the year ended September 30, 2017. 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, 2017

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, 2017:

ACA Olympic Committee Fund	\$	188,135
Government grant and other programs		175,986
Other		<u>48,552</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>412,673</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	\$	41
Government grant and other programs		273,091
Other		<u>59,820</u>
	\$	<u>332,952</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.

At the conclusion of the lease, it reverted to a month to month agreement. As of year end, September 30, 2017, ACA was negotiating with the landlord for a new long term lease agreement.

Rent expense was \$48,783 for the year ended September 30, 2017, for this office space. 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, 2017

9. RELATED PARTY

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, 2017.

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Pooled Separate Account	\$ <u> -</u>	\$ <u> 188,135</u>	\$ <u> -</u>	\$ <u> 188,135</u>

The following table breaks down the makeup of the pool of assets in the pooled separate account as of September 30, 2017:

Alternative investments	38.05%
Domestic equities	29.50%
International equities	19.61%
Domestic bonds	6.39%
Cash and cash equivalents	3.46%
International bonds	2.99%
TOTAL	100.00%

AMERICAN CANOE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.