

May 31, 2023

To the Board of Directors
American Canoe Association, Inc.
Colorado Springs, Colorado

We have audited the financial statements of the American Canoe Association, Inc. (the Association) for the year ended September 30, 2022, and have issued our report thereon dated May 31, 2023. As a part of our audit, we made a study and evaluation of the Association's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluations is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist us in planning and performing our examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our audit, including the study and evaluation of the Association's system of internal accounting control that was made for the

purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. Such study and evaluation disclosed no conditions that we believe to be material weaknesses. However, we present for your consideration the following comments and suggestions relating to internal controls, accounting procedures, and financial matters:

Net Assets with Donor Restrictions

We noted, during our audit procedures, that that activity within certain cash accounts, deemed restricted accounts, did not reconcile with corresponding revenue and expense accounts. We recommend that the Association regularly monitors the contributions and promises to give for donor-imposed restrictions and also tracks requisite releases from net assets with donor restrictions. If the Association continues to use subaccounts within cash, we recommend that the activity within those accounts is periodically reconciled to actual changes in restricted net asset balances.

Reconcile Deferred Revenue

During our audit procedures, we noted that some later additions to the deferred revenue schedules may not have been translated into the accounting records, causing discrepancies between the balances recorded in the accounting records and the deferred amounts calculated in the supplemental schedules. We recommend that Management monitors the activity posted to the supplemental schedules to ensure that all changes are posted in the accounting records.

Conflicting Duties in Internal Control

We noted that the Association's Director of Finance has conflicting internal control duties, including record-keeping, authority, and custody. We recognize and have previously noted that the same conflicting duties have existed in the past. However, we encourage the Association to consistently monitor controls to ensure risks of these conflicting duties are mitigated as best as possible.

Ask My Accountant

During our audit procedures, we noted that the Association uses an expense account described as "Ask My Accountant" to record cash transfers between ledger cash accounts. We recommend that management uses its bank reconciliations to track cash transfers instead of an expense account.

Functional Expenses

Accounting principles generally accepted in the United States of America require that a non-profit organization present its expenses on a functional basis classified by their natural classification. We noted that the Association does not classify some of its expenses on a functional basis in its internal accounting records. We recommend that the Association implements a method of classification of functional expenses by their natural and functional classification, in accordance with ASC 958-720-45, to facilitate the presentation of expenses on a functional basis in its audited financial statements.

Documentation and Approval of Journal Entries

We noted, during our audit procedures, that the Association did not have a formal process to document the proposal and approval of journal entries entered into the accounting records. We recommend that the Association aligns with best practices to keep documentation of origin and approval of all journal entries.

ASU 2016-02 - Leases (ASC 842)

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02 - Leases*, which created a new topic section of the Accounting Standards Codification (ASC), ASC 842. The update to accounting standards requires one primary change to the reporting of leases: all leases must be presented on the Statement of Financial Position as assets and liabilities of the organization. The standard further defines the proper initial and subsequent recognition and required disclosures of leases based on the type of lease, as defined under the new ASC 842. For nonpublic entities, the update is effective for fiscal years beginning after December 15, 2021, which represents years ending as of September 30, 2023, for the Association.

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The preceding comments are based on observations made incident to our normal auditing procedures. Because our comments are not based on a special study of the matters covered, further evaluation of our suggestions may be necessary on your part as a basis for implementation.

If you have any questions regarding the above comments, please

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contact us. We will be pleased to assist you with respect to these or other matters.

Sincerely,
McMillen & Company, PLLC