

# American Trails

Redding, California

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

**December 31, 2021**



**American Trails**  
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December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
American Trails  
Redding, California

### ***Opinion***

We have audited the financial statements of American Trails, a nonprofit Organization (the Organization), which comprise the statement of financial position as of December 31, 2021; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

## INDEPENDENT AUDITORS' REPORT

(Continued)

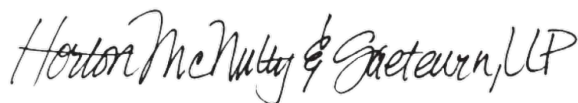
### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Chico, California  
October 7, 2022

## **FINANCIAL SECTION**

**American Trails**  
STATEMENT OF FINANCIAL POSITION

December 31, 2021

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	87,634
Grants receivable		185,438
Prepaid expenses		5,650
Inventory		4,223

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**Total Current Assets** 282,945

**Fixed Assets - Net** 6,675

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**TOTAL ASSETS** \$ 289,620

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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$	52,292
Accrued wages and benefits		14,580
Accrued paid leave liability		37,122

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**Total Liabilities** 103,994

**Net Assets**

Without donor restrictions 185,626

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**TOTAL LIABILITIES AND NET ASSETS** \$ 289,620

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*The accompanying notes are an integral part of these financial statements.*

**American Trails**  
STATEMENT OF ACTIVITIES

	<b>Without Donor Restrictions</b>
<hr/>	
Year Ended December 31, 2021	
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<b>Revenues and Other Support</b>	
Symposium	\$ 6,275
Grants	648,052
Membership dues	23,621
Sponsorship	37,270
Online store	1,969
Contributions	63,183
Interest	3
Other income	512
<hr/>	
<b>Total Revenues and Other Support</b>	<b>780,885</b>
<hr/>	
<b>Expenses</b>	
Program services	506,294
General administration	116,117
Fundraising	4,030
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<b>Total Expenses</b>	<b>626,441</b>
<hr/>	
<b>Change in Net Assets</b>	<b>154,444</b>
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<b>Net Assets - Beginning of Year</b>	<b>31,182</b>
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<b>Net Assets - End of Year</b>	<b>\$ 185,626</b>
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*The accompanying notes are an integral part of these financial statements.*

# American Trails

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021	Program Services							Balance Forward
	National Recreational Trails Program Development	National Trails Training Project	KMS RTP Database Project	Trails Community Map Project	Trails Move People Project	Symposium		
<b>Compensation</b>								
Salaries	\$ 9,052	\$ 68,577	\$ 17,480	\$ 17,117	\$ 18,877	\$ 1,182	\$ 132,285	
Payroll taxes	816	5,862	1,519	1,512	1,700	125	11,534	
Benefits	989	7,282	315	1,575	2,070	275	12,506	
Workers' compensation	81	576	-	147	171	10	985	
<b>Total Compensation</b>	<b>10,938</b>	<b>82,297</b>	<b>19,314</b>	<b>20,351</b>	<b>22,818</b>	<b>1,592</b>	<b>157,310</b>	
<b>Other Expenses</b>								
Contractor services	38,342	74,759	-	78,099	55,344	-	246,544	
Depreciation	-	-	-	-	-	-	-	
Dues and subscriptions	40	1,373	-	-	-	20	1,433	
Insurance	247	1,023	176	282	282	282	2,292	
Licenses and fees	170	716	121	193	253	193	1,646	
Merchandise	-	-	-	-	-	-	-	
Miscellaneous	-	17	-	-	-	-	17	
Office supplies	417	1,778	298	477	477	477	3,924	
Postage and printing	755	16	-	-	-	-	771	
Professional fees	504	1,821	241	897	786	187	4,436	
Promotion	-	-	-	-	389	-	389	
Registration	-	2,513	-	-	68	5,658	8,239	
Rents	99	325	39	192	154	18	827	
Travel	-	1,463	-	-	-	-	1,463	
Utilities	845	3,500	603	966	966	966	7,846	
<b>Total Other Expenses</b>	<b>41,419</b>	<b>89,304</b>	<b>1,478</b>	<b>81,106</b>	<b>58,719</b>	<b>7,801</b>	<b>279,827</b>	
<b>Total Expenses</b>	<b>\$ 52,357</b>	<b>\$ 171,601</b>	<b>\$ 20,792</b>	<b>\$ 101,457</b>	<b>\$ 81,537</b>	<b>\$ 9,393</b>	<b>\$ 437,137</b>	

The accompanying notes are an integral part of these financial statements.



## American Trails

### STATEMENT OF FUNCTIONAL EXPENSES

(Continued)

Year Ended December 31, 2021	Program Services				Supporting Services		Total Expenses
	Balance Brought Forward	American Trails Magazine	Webinars	Total Program Services	General Administration	Fundraising	
<b>Compensation</b>							
Salaries	\$ 132,285	\$ 9,052	\$ 36,664	\$ 178,001	\$ 67,998	\$ -	\$ 245,999
Payroll taxes	11,534	816	3,327	15,677	4,869	-	20,546
Benefits	12,506	989	3,998	17,493	7,711	-	25,204
Workers' compensation	985	81	375	1,441	573	-	2,014
<b>Total Compensation</b>	<b>157,310</b>	<b>10,938</b>	<b>44,364</b>	<b>212,612</b>	<b>81,151</b>	<b>-</b>	<b>293,763</b>
<b>Other Expenses</b>							
Contractor services	246,544	-	-	246,544	2,086	-	248,630
Depreciation	-	-	-	-	1,432	-	1,432
Dues and subscriptions	1,433	-	6,790	8,223	11,331	-	19,554
Insurance	2,292	-	282	2,574	770	35	3,379
Licenses and fees	1,646	-	281	1,927	1,205	481	3,613
Merchandise	-	-	-	-	7,939	-	7,939
Miscellaneous	17	-	172	189	88	-	277
Office supplies	3,924	-	477	4,401	82	60	4,543
Postage and printing	771	-	650	1,421	2,837	-	4,258
Professional fees	4,436	92	4,014	8,542	5,425	47	14,014
Promotion	389	-	-	389	-	3,278	3,667
Registration	8,239	-	-	8,239	81	-	8,320
Rents	827	21	110	958	220	8	1,186
Travel	1,463	-	-	1,463	-	-	1,463
Utilities	7,846	-	966	8,812	1,470	121	10,403
<b>Total Other Expenses</b>	<b>279,827</b>	<b>113</b>	<b>13,742</b>	<b>293,682</b>	<b>34,966</b>	<b>4,030</b>	<b>332,678</b>
<b>Total Expenses</b>	<b>\$ 437,137</b>	<b>\$ 11,051</b>	<b>\$ 58,106</b>	<b>\$ 506,294</b>	<b>\$ 116,117</b>	<b>\$ 4,030</b>	<b>\$ 626,441</b>

The accompanying notes are an integral part of these financial statements.

## American Trails

### STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

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#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	154,444
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,432
Changes in:		
Grants receivable		(126,796)
Prepaid expenses		(2,874)
Inventory		3,403
Accounts payable		25,934
Accrued wages and benefits		6,182
Accrued paid leave liability		251

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**NET CASH PROVIDED BY OPERATING ACTIVITIES** 61,976

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of fixed assets (3,815)

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**Net Change in Cash and Cash Equivalents** 58,161

**Cash and Cash Equivalents - Beginning of Year** 29,473

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**Cash and Cash Equivalents - End of Year** \$ 87,634

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*The accompanying notes are an integral part of these financial statements.*

# American Trails

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** American Trails (the Organization) is a non-profit organization, incorporated in Washington, D.C., in 1988. The Organization's stated purpose is to create and maintain a national trails infrastructure that meets the recreational, health, and travel needs of all Americans. This purpose is accomplished through the printing of a magazine, the management of various projects, and by holding a Symposium every two years. The focus of the Symposium is to educate members regarding current trails issues and technologies, to showcase successful trail projects, and to foster communication and cooperation among members and trail users. Support for the Organization comes from Symposium registration fees, government and private grants, membership dues, sponsorships, contributions, and other miscellaneous sources.

**Basis of Accounting and Presentation** The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified based on the existence or absence of stipulations imposed by donors or grantors. Accordingly, net assets of the Organization, and changes therein, are classified and reported as follows:

*Net Assets Without Donor Restrictions:* Net assets that are not subject to stipulations imposed by donors or grantors and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net Assets With Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Cash and Cash Equivalents** All highly liquid investments, with an initial maturity of three months or less when purchased, are considered to be cash equivalents. The Organization maintains its cash accounts in depositories that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account.

**Grants Receivable** Grants receivable represents amounts due from government and private agencies for grants that have been earned and allocated but not yet received as of December 31, 2021. Management believes that all receivables are fully collectible.

**Prepaid Expenses** Prepaid expenses consist of operating expenses for which payment is paid in advance and are expensed when the benefit is received.

**Inventory** Inventory consists of online store merchandise and is priced at cost, using the first-in, first-out method.

## American Trails

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Fixed Assets** Fixed assets are stated at cost. Donated fixed assets are recorded at their estimated fair market value at the date of donation. Depreciation of equipment is provided on the straight-line method over the estimated useful life of the asset, generally over a period of five years for equipment.

The current policy of the Organization is to capitalize all fixed assets with an initial useful life of more than one year and costing over \$250. The cost of maintenance and repairs are charged to expense as incurred. At the time fixed assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are adjusted, and any gain or loss on disposal is included in the statement of activities.

**Accrued Paid Leave Liability** Vacation, sick, and personal leave are considered expenses in the year earned. Upon termination, employees are compensated for any accrued but unused leave.

**Revenue Recognition, Contract Receivables, Contract Assets, and Contract Liabilities** The Organization provides various services and offers merchandise for sale, as further detailed in the next paragraph. Performance obligations are determined based on the nature of the services performed or goods to be delivered by the Organization. The Organization considers performance obligations fulfilled, and recognizes revenue, both at a point in time and over time, depending on the transaction. Refunds may be available for good and services not provided.

Symposium revenue is recognized at a point in time, when the event is held. Symposium registration fees are generally paid in advance. Membership dues provide for use of the various online resources and access to discounts. Membership dues are recognized over time, as the Organization delivers the performance obligations under the membership agreement. Memberships are paid annually and are paid in advance. Sponsorship fees allow for corporate sponsorship at events and online on the Organization's website. Sponsorship fees may either be recognized over time or at a point in time, depending on when the Organization delivers the performance obligations under the agreement. Sponsorship fees are generally paid in advance. Online store revenue is recognized at a point in time, when the sale occurs.

The transaction prices for the revenue sources noted above are based on management's judgment of the consideration to which the Organization expects to be entitled in exchange for providing goods and services to their customers, considering factors such as market conditions and cost of delivering services. The Organization believes these methods of revenue recognition most accurately reflect the economics of the transactions with its customers. Customers receive no material rights to purchase additional goods or services at discounted rates.

Variable consideration—such as late fees—included within a contract must be considered when the transaction price is initially calculated. Variable consideration factors did not have a material impact on the results of operations for the year ended December 31, 2021. Contracts do not include a financing component. Contract receivables are recognized for amounts that have been earned and billed but not yet received as of the reporting date. Contract asset balances are maintained for any contracts agreed to but not yet performed as of the reporting date. Unearned service fees, membership dues, and sponsorships, when applicable, are reflected as contract liabilities.

## American Trails

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Restricted and Unrestricted Revenue** Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the contribution is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor contributions with a measurable performance barrier and a right of return are not recognized in the statement of activities until conditions on which they depend have been met.

**Promises to Give** Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are recognized in accordance with the revenue policy outlined above. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based upon prior years' experience and management's analysis of specific promises made. At December 31, 2021, there were no unconditional promises to give.

**Donated Fixed Assets and Services** Donations of fixed assets are required to be recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donations of services are required to be recognized as contributions if the services: (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Although volunteers donate significant time to the Organization, these services do not meet the criteria to be recognized as contributions for the year ended December 31, 2021.

**Income Taxes** The Organization is a nonprofit corporation operating under Section 501(c)(3) of the *Internal Revenue Code* (IRC) and 23701(d) of the *California Revenue and Taxation Code*, and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in these financial statements. Management believes that it has appropriate support for any tax positions taken; accordingly, management believes there are no uncertain tax positions that are material to the financial statements.

The Organization files income tax returns in the U.S. federal jurisdiction and the State of California.

**Functional Allocation of Expenses** The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated based on estimates of time, effort, and usage.

## American Trails

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Evaluation of Subsequent Events** Management has evaluated subsequent events through October 7, 2022, the date the financial statements were available to be issued.

## 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available to meet general expenditures, liabilities, and other obligations over the next twelve months:

December 31, 2021	
Cash and cash equivalents	\$ 87,634
Grants receivable	185,438
<b>Total Financial Assets</b>	<b>\$ 273,072</b>

The Organization's goal is generally to maintain financial assets to meet anticipated operating expenses projected on a monthly basis based on management's knowledge of upcoming fixed and variable costs. As part of its liquidity plan, the excess cash is stored in local banks.

## 3. CONCENTRATIONS AND CREDIT RISK

**Custodial Credit Risk – Deposits** For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be redeemed. The Organization's policy prohibits depositing funds in any one bank where the deposits would exceed FDIC limits. As of December 31, 2021, none of the Organization's bank balance of \$87,634 was exposed to custodial credit risk.

**Concentrations of Credit Risk** Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts and grants receivable. At December 31, 2021, the concentration of credit risk related to grants receivable is limited due to the nature of its grantors.

**Concentrations of Grants and Contributions** For the fiscal year ended December 31, 2021, the Organization received approximately 83% of its general revenues from state, federal, and foundation grants. Approximately 8% of its general revenues consist of contributions.

## American Trails

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 4. FIXED ASSETS

Fixed assets are summarized by major category as follows:

December 31, 2021

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<b>Depreciable Assets</b>	
Equipment	\$ 11,419
Less: Accumulated depreciation	4,744
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<b>Fixed Assets - Net</b>	<b>\$ 6,675</b>

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#### 5. RETIREMENT PLAN

The Organization has established a SIMPLE IRA plan pursuant to Section 408(p) of the *Internal Revenue Code*. Under the plan, employees are eligible to participate once they have earned \$5,000 from the Organization during any preceding year and must reasonably expect to earn at least \$5,000 during the current year. Retirement plan expense for the year ended December 31, 2021, was \$-0-

The employee may contribute to the plan up to the maximum amount allowed by law. The Organization is required to make matching contributions equal to 100% of an employee's elected deferrals that do not exceed 3% of the employee's eligible compensation, unless the Organization elects to make an alternative matching contribution.

#### 6. CONTRACT REVENUE DISAGGREGATION AND CONTRACT BALANCES

Contract revenue recognized at a point in time, and revenue recognized over time, for the year ended December 31, 2021, is as follows:

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Revenue recognized at a point in time	\$ 21,244
Revenue recognized over time	\$ 47,891

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There were no contract asset or contract receivable balances at December 31, 2021 or 2020. There were no significant unearned service fees, sponsorship, or membership fees that would be required to be recorded as contract liabilities at December 31, 2021 or 2020.

## American Trails

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 7. CONTINGENCIES

**COVID-19** The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Association on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the Organization's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the Organization's future. However, if the pandemic continues, the disease could have a material adverse effect on the Organization's results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the Organization's operations and financial performance.

#### 8. PAYCHECK PROTECTION PROGRAM LOAN

In February 2021, in response to the effects of the COVID-19 pandemic, the Organization applied for and received a Paycheck Protection Program (PPP) Loan of \$35,817 from the United States Small Business Administration (SBA) to cover qualifying payroll costs for their employees. PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount following the receipt of funds. The Organization recognized the amount received as grant revenue as qualified expenses were incurred and barriers to entitlement were met. Qualifying expenditures during the year ended December 31, 2021, amounted to \$35,817. On October 19, 2021, this loan was fully forgiven, although SBA retains the right of review of the loan.

#### 9. RISK MANAGEMENT

The Organization is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. The Organization carries insurance coverage for property, liability, accident, and workers' compensation.



## **FINDINGS SECTION**

**INTERNAL CONTROL (Financial Reporting)**

2021-001

**Material Weakness**

**Condition** Current-year audit procedures identified material adjustments related to transactions that were not accurately captured within the proper accounting period.

**Criteria** Accounting records must be maintained on the accrual basis of accounting to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control over financial reporting should be established and maintained to reduce the risk of misstatement to an acceptable level.

**Effect** Material misstatements were not identified by the Organization's internal control structure.

**Cause** The Organization underwent transition in the accounting and closing functions, affecting the year under audit.

**Recommendation** We recommend that management use the accrual basis of accounting to record all transactions and implement procedures to ensure that all activity relating to the accounting period is accurately captured.

**Response** The Organization's management will implement procedures to comply with the recommendation.