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March 23, 2023

Brooke Wilfley  
President & Co-Founder  
ACES Sports Academy  
8040 Southpark Lane  
Littleton, Colorado 80120

## **Re: Analysis of Financial Records from Colorado Amateur Hockey Association**

Dear Ms. Wilfley:

This initial report has been prepared to assist with the analysis of financial records provided by the Colorado Amateur Hockey Association ("CAHA") and should not be used for any other purpose.

The information in this report is based on information provided to us, which, not having been provided for financial reporting purposes, has not been examined or reviewed by us in accordance with attestation standards promulgated by the American Institute of Certified Public Accountants. This report is based on information provided by CAHA to date and is subject to change as new information becomes available.

### **Scope**

We were engaged to review and analyze records provided by CAHA in connection with your requests to CAHA to supply financial information. Information was provided by CAHA in approximately January and February 2023.

### **Issues Identified Based On Records Provided To Date**

#### **CAHA'S BASIC FINANCIAL REPORTS REFLECT SIGNIFICANT DISCREPANCIES**

Summary: Many of CAHA's financial reports do not match. They show discrepancies measured in the hundreds of thousands of dollars and indicate that CAHA cannot provide basic information about its operational results and financial position. Such discrepancies and failures raise the question as to whether the financial reports are accurate, reliable, and should be relied on for decision making.

For example, the August 31, 2022 cash flow statement and balance sheet do not match and show a \$191,470 discrepancy. The August 31, 2022 cash flow statement shows a cash balance of \$733,053, but the same day's balance sheet shows a cash balance of \$541,583. These numbers should match. *Instead, there is a \$191,470 discrepancy of cash between these two financial reports.*

On the same day, August 31, 2022, CAHA's primary operations account "10200 OPS Checking Account", shows a cash balance of \$541,993. However, for the same day, CAHA's transaction list for the exact same account totals \$713,393. *As a result, these financial reports reflect a \$171,400 discrepancy that has not been explained or accounted for.*

### **CAHA'S BANK RECORDS SHOW ABNORMAL DEPOSIT TRANSACTIONS**

*Summary: On one day, \$461,100 was deposited into CAHA's operations bank account through three separate ATM transactions. These three August 16, 2022 deposits were in the amount of (a) \$305,000, (b) \$90,000, and (c) \$66,100. The total of these August 16<sup>th</sup> deposits would have been over 60% of CAHA's last reported annual revenues (\$753,000 in 2020<sup>1</sup>).*

Based on the records provided, we are unable to determine where these funds came from, why these CAHA funds were not received directly by CAHA, or why these CAHA funds were being held outside of CAHA's operating accounts. In my experience, it is not common to see funds of such significance to an organization deposited on one day or through an ATM.

### **CAHA'S FINANCIAL REPORTS SHOW NEGATIVE BANK ACCOUNT BALANCES**

Summary: The existence of not one, but multiple, negative cash accounts indicates that CAHA is failing to reconcile its bank accounts. The consequence of which is that CAHA is operating without financial controls to detect errors or financial irregularities.

The balance sheet provided by CAHA as of 8/31/2022 shows five (5) separate bank accounts with negative cash balances. For example, on the 8/31/2022 balance sheet, the 50/50 checking account has a negative balance of (\$4,664), but the actual 8/31/2022 KeyBank bank statement for this account has a positive balance of \$38,825. The bank statements and records surrounding this time period provide no explanation for this negative cash balance. Such a difference illustrates CAHA's inaccurate financial record-keeping.

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<sup>1</sup> CAHA has not provided annual revenues for periods after August 2020. As a result, we used the total gross revenues for the fiscal year of September 2019 to August 2020, as shown on CAHA's 2019 tax return.

**CAHA'S FINANCIAL RECORDS REVEAL UNDISCLOSED TRANSACTIONS WITH ENTITIES  
CONNECTED TO CAHA'S EXECUTIVE COMMITTEE**

*Summary: CAHA has entered into transactions with related parties associated with Randy Kanai (namely, International Sports Event Management, COHockey, and Rocky Mountain Sport Testing). These transactions: (a) are not disclosed in CAHA's Form 990s where such transactions are reported to the Internal Revenue Service, (b) may not have been disclosed to CAHA's Board of Directors (i.e. no records provided to-date indicate that CAHA's Conflict of Interest procedures have been followed with respect to these transactions or related-party business relationships), and (c) based on the records provided, it is not possible to evaluate whether the transactions were entered into on an arms-length basis.*

Schedule L of CAHA's Form 990s, which is a part of CAHA's Federal Tax Return, includes disclosures of transactions with interested persons. Those disclosures only show two names: Michelle Peterson Consulting and Tanaka Management Services. However, analysis of the records provided to date has identified several other transactions with interested persons which are not listed in CAHA's Form 990. Whether or not all related party transactions were disclosed as part of CAHA's annual disclosure of conflicts of interest is to date unknown since these records have been requested but not provided to date.

In October 2020, CAHA wrote check number 4399 payable to "International Sports Events" in the amount of \$15,000. This check cleared CAHA's operations bank account on October 16, 2020. The "Comments" for this payment indicates "Invoice Number 0002 – Hockey ranking subscriptions – annual." This invoice number, when compared to others in the same operations transaction register, is generic and suggestive of a manually prepared invoice. In my experience, the use of generic invoice information can be indicative of transactions that are not in the ordinary course of business. The payee for this transaction "International Sports Events" is similar to a Colorado limited liability company established in January 2021, "International Sports Event Management," for which Randy Kanai serves as registered agent.

Similarly, the operations transaction register provided by CAHA identifies several payments made by CAHA to COHockey. Four payments, totaling \$53,938, were made to COHockey between June 2021 and August 2021. According to State of Colorado secretary of state records, COHockey is a trade name for International Sports Event Management.

The operations transaction register provided by CAHA also identifies several transactions between CAHA and Rocky Mountain Sport Testing. Among the transactions, is a July 16, 2020, \$38,800 payment from CAHA to Rocky Mountain Sport Testing. According to Colorado Secretary of State records, Rocky Mountain Sport Testing is also a trade name for International Sports Event Management.

**50/50 RAFFLE FINANCIAL RECORDS ARE INCOMPLETE AND AT TIMES ILLOGICAL**

*Summary: CAHA has not provided complete financial records for the 50/50 Raffle. The records provided indicate questionable raffle activity for the fiscal years ended August 2021 and 2022 due to the sharp decrease in raffle sales and the fact that only a total of approximately \$5,000 in cash prizes were paid to raffle winners during these two years.*

CAHA's Federal tax returns for the three fiscal years ended August 2018, 2019, and 2020 show total gaming income (i.e., revenue) of approximately \$1,013,000, with an annual average during this period of approximately \$337,000. The income statement provided by CAHA for the five fiscal years ended August 2018 to August 2022 reflects total 50/50 raffle sales of \$1,128,190. As a result, for the two fiscal years CAHA did not provide annual sale records, (i.e., fiscal years ended August 2021 and 2022) revenue totals were approximately \$115,000, with an annual average revenue of approximately \$57,000. An annual average of \$57,000 in 50/50 raffle sales is significantly less than the previous average annual sales of \$337,000. Despite this apparent decrease in sales, CAHA has not provided financial records that would explain this drop-off.

Similarly, during 2021 and 2022, the cash prizes paid to raffle winners are also disproportionately low. During the three fiscal years ended August 2018, 2019, and 2020, the cash prizes total approximately \$520,000, with an annual average during this period of approximately \$173,000. The income statement provided by CAHA for the five fiscal years ended August 2018 to August 2022 reflects total 50/50 winner prizes of \$525,348. As a result, cash prizes for the 2021 and 2022—the two fiscal years for which annual data has not been provided—totals approximately \$5,000, with an annual average of approximately \$2,500. An annual average of \$2,500 in 50/50 prizes is significantly less than the previous annual average annual cash prizes of \$173,000. Further, given that cash prizes should be 50% of the gross raffle sales, the proportionate amounts are illogical because if total 50/50 raffle sales for those two years was approximately \$115,000, the cash prizes should be closer to \$57,500, not \$5,000.

CAHA's tax records for the 50/50 Raffle are also illogical. For certain winners of the 50/50 Raffle, CAHA should be issuing an IRS Form W-2G. Thus, as expected, in the tax year 2017, CAHA indicated that 69 of such forms were issued to winners, and in tax year 2018, a total of 72 of such forms were issued. However, in tax year 2019, CAHA reported to the IRS that no W-2G forms were issued, even though CAHA reported on Schedule G of its Form 990 that a total of \$136,284 in "cash prizes" were a direct expense associated with gaming activities.

As stated above, no records have been provided for 2020 or 2021, so it is unclear what has happened with these required forms in those years.

### **DONATIONS PAID BY CAHA REFLECT SIGNIFICANT DISCREPANCIES**

Summary: CAHA's reporting of donations, with discrepancies measured in the hundreds of thousands of dollars for Kroenke Sports Charities, Inc. ("KSC"), and other organizations, indicate that CAHA is unable to account for its use of funds. Such failure raises the question as to the accuracy and reliability of the reported donations.

CAHA provided inconsistent information regarding donations to KSC. The income statement provided by CAHA for the five fiscal years ended August 2018 to August 2022 includes account "60800 KSC Donation" and a total amount of \$456,921. CAHA also provided an "Expense by Payee" report for KSC for this same period which totals \$237,234. *As a result, there is an approximately \$219,000 discrepancy between the reports provided by CAHA regarding donations to KSC.*

In addition to the donations made by CAHA to KSC, CAHA recorded "grants and other assistance" to several other organizations. According to CAHA's 990s—provided to the Internal Revenue Service—during the three fiscal years ended August 2018, 2019, and 2020, the grants and other assistance to these organizations totals approximately \$310,000. Records with grants during the fiscal years ended August 2021 and 2022 have not been provided by CAHA.

In contrast, CAHA's internal financial reports for the five fiscal years between August 2018 to August 2022 reflect total donations of \$42,755 (a total of \$2,000 in volunteer donations and \$40,755 in beneficiary donations). *As a result, there is an approximately \$267,000 discrepancy in donations to non-KSC organizations.*

### **CAHA'S "PASS THROUGH INCOME" RESULTS IN HIDDEN EXPENSES**

Summary: CAHA nets expenses against "pass through income", which has in effect hidden expenses from being presented as expenses. This netting practice includes transactions between CAHA and Rocky Mountain Sport Testing, an entity associated with Randy Kanai.

CAHA has an income (i.e., revenue in this instance) account titled 41300 Pass Through Income. CAHA provided three "Income by Contact" reports reflecting activity in this account. These reports indicate that expenses are being netted against income, with the effect that expenses—which are outgoing payments—lose their identity because the net result is shown only as revenue.

A review of the information provided to date for pass through income reflects some transactions between CAHA and Rocky Mountain Sport Testing. Complete reports were not provided for this account, and as a result, one cannot determine if all of the outgoing expense payments were treated in this fashion or accounted for through this account.

## **CAHA HAS NOT FILED ITS 2020 TAX RETURN DESPITE INCURRING PER-DAY PENALTIES**

Summary: CAHA is incurring per day penalties for the late filing of its 2020 return.

CAHA's Form 990 for 2020 (i.e., fiscal year 9/1/2020 to 8/31/2021) was due July 15, 2022. Despite the existence of per day penalties for late filing, which can range from \$20 to \$105 per day, CAHA has stated that this return has not yet been filed.

## **Records Expected To Be Provided But Which Were Not**

As part of our work, we identified a number of financial records which should be in CAHA's possession. These records, which were expected to be provided but were not, are summarized as follows:

1. Relevant records which should be available based on section XI "Records Retention" of CAHA's Bylaws
  - a. Financial statements – annual (permanent)
  - b. General ledgers – annual (permanent)
  - c. Bank reconciliations (3 years)
  - d. Canceled checks (7 years)
2. Relevant records which should be available based on disclosures in CAHA's Form 990 (see for example CAHA 2018 Form 990 Schedule O)
  - a. Financial statements
  - b. Annual conflict of interest disclosures
3. Tax Returns
  - a. CAHA's Form 990 for 2020 (i.e., fiscal year 9/1/2020 to 8/31/2021), which was due July 15, 2022.
4. Banking records
  - a. Bank reconciliations (which account for the difference between the bank account balance per a bank statement and CAHA's books) were not provided
  - b. No cancelled check copies were provided
  - c. Not all monthly bank statements were provided. For example, for CAHA's Team Colorado bank account with KeyBank, only monthly

statements for the months of December 2017 and January 2018 was provided.<sup>2</sup>

- d. As another example, CAHA's 8/31/2022 balance sheet identifies additional bank accounts for which no statements were provided, including, but not limited to, account 10500 Team Colorado 19U – KeyBank 2543 and 10800 Team Colorado HS Girls – KeyBank 2576. There is also no explanation for why certain teams have separate bank accounts and others do not.

#### 5. Financial records

- a. CAHA provided one income statement (totaling two pages) which covers the five fiscal years from 9/1/2017 to 8/31/2022. However, no annual financial records were provided despite Section XI "Records Retention" of CAHA's Bylaws which indicates that annual financial statements are to be retained permanently. Also, CAHA's Federal tax returns historically were prepared on an annual basis; however, the records which CAHA would have provided to its CPA to prepare the Federal tax returns were not provided.
- b. CAHA provided a single balance sheet as of 8/31/2022. No other balance sheets were provided, again in contrast to CAHA's records retention policy, which indicates that annual financial statements are to be retained permanently.
- c. Other than some monthly bank statements referred to above, no other financial records were provided for periods after August 2022.

Neither **RubinBrown**, nor any of its employees or clients, are associated with any of the parties to this matter. As additional information becomes available, we may update this report.

Sincerely,



Matthew W. Wester, CPA, CFE  
Partner  
**RubinBrown**

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<sup>2</sup> Analysis of the statements provided indicates a beginning balance of \$51,446 as of November 30, 2017 and an ending balance of \$24,737 as of January 31, 2018. As evidenced by the differences in balances, there has been banking activity for the Team Colorado bank account for which statements have not been provided.