



Certified Public Accountants

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To the Board of Directors
Gerald Szymczak, President
The German Shepherd Dog Club of America, Inc.

July 10, 2019

In planning and performing our audit of the financial statements of The German Shepherd Dog Club of America, Inc. as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered The German Shepherd Dog Club of America, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in The German Shepherd Dog Club of America, Inc.'s internal control to be a significant deficiency. This deficiency was previously reported in the prior year audit as part of the deficiency comment on documenting the Organization's internal controls and accounting procedures in the letter communicating internal control related matters identified in an audit dated July 12, 2018:

Inventory Valuation and Cost of Goods Sold:

During our current and prior audits we noted that the Organization had difficulty in obtaining a physical inventory count as of December 31 and determining an inventory valuation. Pricing of inventory quantities counted should be consistent and well documented to ensure that inventory is valued at the proper amounts. The Organization should establish internal control procedures to properly record and value product inventory and costs of goods sold for products. The procedures should include establishing timetables and responsibilities for completion of the physical inventory and inventory valuation.

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Inventory Valuation and Cost of Goods Sold (Continued):

Management's Response:

We agree with this finding and took steps in May to move the inventory to another location under management by other personnel. Steps are being taken to determine the original purchase prices. The Marketing and Budget and Finance Committees will develop internal control procedures in inventory valuation and cost of goods sold for approval by the Board at a later date.

During our audits prior to the 2018 audit, we also became aware of the following deficiency in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

The following additional comment arose during the planning and performance of the 2014 audit:

Property and Equipment Records

Prior to 2013, the Organizations had \$66,018 of fully depreciated equipment and furnishings recorded on the general ledger. The Organization indicated it has no current records available for the fully depreciated items. We recommend that the Organization remove the fully depreciated assets from its general ledger.

Management's Response:

Steps will be taken to remove fully depreciated assets from the General Ledger during 2019.

More importantly, for insurance purposes, the Recording Secretary will be asked to follow the existing policies and procedures on Page 32. The Recording Secretary shall send a request after the National Show held in October to each board member and committee chairperson asking each to submit a listing of GSDCA property assets in his or her possession by December 15.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

The German Shepherd Dog Club of America, Inc.'s written response to the significant deficiency and other comment identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

RYUN, GIVENS & COMPANY, P.L.C.


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