



## **McKeever Varga & Senko**

*Certified Public Accountants*

*Personal Financial Planners*

*Business Consultants*

To the Board of Directors

### **POLISH FALCONS OF AMERICA**

Pittsburgh, Pennsylvania

In planning and performing our audit of the statutory basis financial statements of the Polish Falcons of America as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statutory-basis financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiency in Polish Falcons of America's internal control to be a material weakness:

The Society maintains a lodge system composed of local Districts and Chapters, referred to as Nests. During our audit, we became aware of a building which was donated during 2021 by a certain Nest to the Society. The donation of the building was recorded on the Society's records as an asset on October 28, 2021, with a fair market value of \$350,000. The Society also recognized the donation as income for the same amount. In addition, we also became aware that on November 21, 2021, the Society, with the intention of facilitating the ultimate sale of the building, purchased the bowling alley that was structured affixed to the donated building. The purchase price of the bowling alley was \$72,000. The Society recorded the purchase of the bowling alley as a direction reduction of the above \$350,000 donation, previously recognized as income. The building was sold on December 14, 2021 for a sales price of \$500,000. The transactions consisting of the acquisition of the donated building, purchase of the bowling alley and ultimate sale of the building all occurred during 2021.

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While the accounting treatment, described on the previous page, of the transactions would have no overall impact on the Society's Statutory Basis of Statement of Admitted Assets, Liabilities and Surplus at December 31, 2021, a material impact existed for the Statutory Basis Statement of Operations for the year ended December 31, 2021. After being made aware of the proper financial statement presentation for statutory accounting practices, the Society provided the adjusting journal entries at December 31, 2021, to correct the misstatement and reflect the proper financial statement presentation. The changes resulted in a direct increase to Statutory Basis Surplus in the amount of \$350,000, and a decrease of previously reported net income of \$350,000, consisting of reductions to Miscellaneous Income of \$278,000 and Realized Capital Gains of \$72,000. The above mentioned changes had no overall impact on previously reported Surplus at December 31, 2021.

This communication is intended solely for the information and use of the Board of Directors, management, others within the organization, and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

May 31, 2022  
Pittsburgh, Pennsylvania