



UNITED STATES FENCING ASSOCIATION

FINANCIAL STATEMENTS

JULY 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

United States Fencing Association

Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Fencing Association (a nonprofit organization) which comprises the statement of financial position as of July 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financials statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Fencing Association as of July 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Period Financial Statements

The financial statements of United States Fencing Association as of July 31, 2012, were audited by other auditors whose report dated February 6, 2013, expressed an unqualified opinion on those statements.

BiggsKofford, P.C.

Colorado Springs, Colorado
February 26, 2014

UNITED STATES FENCING ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 191,198	\$ 163,382
Accounts receivable	128,843	137,371
Prepaid expenses	108,060	33,558
Total current assets	428,101	334,311
Property and equipment:		
Property and equipment, net	119,118	125,102
Land and building held for sale, net	165,751	170,426
	284,869	295,528
Total assets	<u>\$ 712,970</u>	<u>\$ 629,839</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 639,671	\$ 1,008,410
Advance from related party	-	198,000
Accrued expenses	34,148	45,546
Deferred revenue	545,573	700,028
Due to divisions and sections	40,152	88,306
Current portion of note payable	16,074	16,074
Grants payable to athletes	7,988	13,000
Total current liabilities	1,283,606	2,069,364
Note payable	47,846	63,918
Total liabilities	1,331,452	2,133,282
Net assets:		
Unrestricted	(618,482)	(1,503,443)
Total net assets (deficiency)	(618,482)	(1,503,443)
Total liabilities and net assets	<u>\$ 712,970</u>	<u>\$ 629,839</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

UNITED STATES FENCING ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2013 and 2012

	2013	2012
<u>UNRESTRICTED REVENUE AND SUPPORT</u>		
Registration fees	\$ 2,860,225	\$ 2,470,438
Membership dues	1,441,810	1,153,215
USOC support	783,760	691,410
Royalties and sponsorship	460,102	494,639
In-kind revenue	800,169	278,631
Club insurance	139,540	150,010
USOC license agreement	37,500	78,500
Contributions	46,887	69,374
Foundation grants	65,618	63,000
American fencing magazine	20,749	16,621
Other	209,080	95,689
Total unrestricted revenue and support	<u>6,865,440</u>	<u>5,561,527</u>
<u>EXPENSES</u>		
Program services:		
International	1,714,579	2,453,934
National	2,674,206	2,196,483
Membership	418,952	375,966
Total program services	<u>4,807,737</u>	<u>5,026,383</u>
Support services:		
General and administrative	1,058,467	962,072
Board of directors	114,275	147,132
Total support services	<u>1,172,742</u>	<u>1,109,204</u>
Total expenses	<u>5,980,479</u>	<u>6,135,587</u>
Change in net assets	884,961	(574,060)
Unrestricted net assets, beginning of year	<u>(1,503,443)</u>	<u>(929,383)</u>
Unrestricted net assets, end of year	<u><u>\$ (618,482)</u></u>	<u><u>\$(1,503,443)</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

UNITED STATES FENCING ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 884,961	\$ (574,060)
Adjustments to reconcile net assets to net cash from operating activities:		
Depreciation and amortization	45,183	45,381
Realized and unrealized investment gains	-	(2,050)
Gain (loss) on disposition of property and equipment	10,666	(416)
Bad debts	3,667	43,469
(Increase) decrease in operating assets:		
Accounts receivable	4,861	20,249
Prepaid expenses	(74,502)	74,399
Inventory	-	18,879
Increase (decrease) in operating liabilities:		
Accounts payable	(368,739)	70,421
Accrued expenses	(11,398)	12,511
Deferred revenue	(154,455)	102,774
Due to divisions and sections	(48,154)	13,341
Grants payable	(5,012)	3,000
Net cash provided by (used in) operating activities	<u>287,078</u>	<u>(172,102)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposition of property and equipment	-	1,857
Proceeds from sale of investments	-	12,258
Purchases of property and equipment	(45,190)	(23,534)
Net cash used in investing activities	<u>(45,190)</u>	<u>(9,419)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from advances from related parties	-	270,000
Repayments of advance from related party	(198,000)	(72,000)
Principal payments on note payable	(16,072)	(16,071)
Net cash provided by (used in) investing activities	<u>(214,072)</u>	<u>181,929</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

UNITED STATES FENCING ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Net increase in cash and equivalents</u>	\$ 27,816	\$ 408
<u>Cash and equivalents, beginning of year</u>	<u>163,382</u>	<u>162,974</u>
<u>Cash and equivalents, end of year</u>	<u>\$ 191,198</u>	<u>\$ 163,382</u>
 <u>SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION</u>		
<u>Cash paid for interest during the year</u>	<u>\$ 3,397</u>	<u>\$ 3,951</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

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UNITED STATES FENCING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013 AND 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States Fencing Association, the ("Association") is the national governing body for fencing in the United States. The Association's mission and principal activities are to be responsible for the promotion and development of the sport of fencing in the United States. The Association's revenues and other support are derived principally from sales of memberships and event fees.

Basis of Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The Association currently has no permanently restricted net assets.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Cash and equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments of three months or less to be cash and equivalents.

See independent auditor's report.

UNITED STATES FENCING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013 AND 2012

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Accounts receivable

Accounts receivable are stated at the amount billed for services and fees. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on specific circumstances of the customer and other economic factors.

Property and equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Buildings	40 years
Furnishing and equipment	3 - 10 years
Software	3 - 5 years

Depreciation and amortization expense for the years ended July 31, 2013 and 2012 totaled \$45,183 and \$45,381, respectively.

Deferred revenue

Membership dues are deferred and recognized over the periods to which the fees relate. In addition, other funds received in advance are deferred and recognized when earned.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

See independent auditor's report.

UNITED STATES FENCING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013 AND 2012

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Donated services and materials

Donated services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities at their estimated values. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Income taxes

The Association is exempt from income taxes under Internal Revenue Code ("Code") Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Code.

The Association evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for the Association.

Functional allocation of expenses

The cost of providing the various programs and supporting activities of the Association have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in proportion to the benefits received.

Subsequent events

Management evaluated subsequent events through the date of the attached independent auditor's report, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

See independent auditor's report.

UNITED STATES FENCING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013 AND 2012

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at July 31,:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 337,392	\$ 301,790
Software	<u>22,850</u>	<u>29,261</u>
Total	360,241	331,051
Accumulated depreciation and amortization	<u>(241,123)</u>	<u>(205,949)</u>
Property and equipment, net	<u><u>\$ 119,118</u></u>	<u><u>\$ 125,102</u></u>

Land and building held for sale consist of the following at July 31,:

	<u>2013</u>	<u>2012</u>
Land	\$ 29,341	\$ 29,341
Building	<u>187,018</u>	<u>187,018</u>
Total	216,359	216,359
Accumulated depreciation	<u>(50,608)</u>	<u>(45,933)</u>
Land and building held for sale, net	<u><u>\$ 165,751</u></u>	<u><u>\$ 170,426</u></u>

The land and building represents a 33% undivided interest in the building and land that houses the Association's former national office. This building is shared with four other national governing bodies. The purchase of the building was supported by grants for \$43,500 from the El Pomar Foundation and \$165,471 from the United States Olympic Committee (USOC). Under the conditions of the El Pomar Foundation grant, if the Association relocates out of El Paso County, Colorado prior to 2017, it forfeits to the remaining tenants in common that portion of its undivided interest that was paid for with the El Pomar funding.

The Association has relocated the national office to its present location within El Paso County. The former office building and the related land are presently held for sale.

See independent auditor's report.

UNITED STATES FENCING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013 AND 2012

3. DEFERRED REVENUE

Deferred revenue consist of the following at July 31,:

	<u>2013</u>	<u>2012</u>
Membership dues	\$ 523,623	\$ 628,278
Insurance fees	19,150	28,500
Event vendor	2,800	-
Deferred training	-	5,750
USOC income	-	37,500
	<u> </u>	<u> </u>
Total	<u>\$ 545,573</u>	<u>\$ 700,028</u>

4. NOTES PAYABLE

The Association had a \$150,000 revolving line of credit available with interest of .75% over the prime rate (4.00% at July 31, 2013 and 2012). The Association was notified in June 2009 that further advances under the line were no longer available and the line of credit was converted to a term note. The note is payable in monthly installments of \$1,339 plus accrued interest and is due September 26, 2017. The note is secured by accounts, equipment and general intangibles.

Maturities of long term debt are as follows for the years ending July 31,:

2014	\$ 16,074
2015	16,074
2016	16,074
2017	<u>15,698</u>
	63,920
Current portion	<u>16,074</u>
Note payable, net of current portion	<u>\$ 47,846</u>

Additionally, the Association has a \$250,000 line of credit at a local bank which is secured by a Certificate of Deposit owned by the United States Fencing Foundation ("USFF") in the amount of \$250,000. As of July 31, 2013 the Association has not used the line of credit.

See independent auditor's report.

UNITED STATES FENCING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2013 AND 2012

5. COMMITMENTS

The Association leases a copier and office space under operating lease agreements expiring in 2016 and 2017, respectively. Payments under these lease agreements totaled \$26,128 and \$48,104, respectively, for the years ended July 31, 2013 and 2012.

The Association also has various software commitments. These commitments expire at various dates in 2015. The future minimum annual payments under leases and other commitments are as follows for the years ending July 31,:

2014	\$ 198,036
2015	189,777
2016	42,276
2017	38,523
2018	<u>16,683</u>
Total	<u>\$ 485,295</u>

6. CONCENTRATIONS

The Association is economically dependent upon grants from the USOC in order to maintain its programs at current levels. The USOC provides grants to the Association for sports development, international competition and team preparation. Total grants from the USOC are as follows for the years ending July 31,:

	<u>2013</u>	<u>2012</u>
NGB funding	\$ 726,460	\$ 654,010
Wheelchair	20,000	25,000
International support	3,100	12,400
Miscellaneous grants	<u>34,200</u>	<u>-</u>
Total	<u>\$ 783,760</u>	<u>\$ 691,410</u>

In May of 2007 the Association entered into a content license agreement with the USOC which expired December 31, 2012. In addition to the above funds, the Association received \$37,500 and \$78,500 under the license agreement during the years ended July 31, 2013 and 2012, respectively.

See independent auditor's report.

UNITED STATES FENCING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013 AND 2012

7. RELATED PARTY TRANSACTIONS

The USFF, was formed to operate for the benefit and support of the Association and the sport of fencing. The purpose of the USFF is to raise funds and acquire assets to encourage, improve and promote amateur fencing in the United States. The Association does not control the USFF and therefore does not prepare consolidated financial statements.

During the years ended July 31, 2013 and 2012, the USFF provided grants to the Association in the amounts of \$65,618 and \$63,000, respectively. During the year ended July 31, 2013, the USFF pledged a certificate of deposit for \$250,000 that is collateral for the Association's line of credit at a local bank.

8. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The Association maintains a Simple IRA under Section 408(b) of the Code. The plan covers all regular full time employees. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code and the Association matches 100% of contributions up to 3% of the employees earnings. The Association made contributions to the plan of \$18,741 and \$20,238 for the years ended July 31, 2013 and 2012, respectively.

9. CONTRIBUTED SUPPLIES AND SERVICES

The value of donated supplies included in the financial statements as contributions and the corresponding expenses are as follows for the years ending July 31,:

	<u>2013</u>	<u>2012</u>
International programs	\$ 135,938	\$ 49,925
National programs	<u>664,231</u>	<u>228,706</u>
Total	<u>\$ 800,169</u>	<u>\$ 278,631</u>

In addition, the Association received donated services for the years ended July 31, 2013 and 2012 which are not recognized in the financial statements because they do not meet the criteria for recognition under US GAAP.

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See independent auditor's report.

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SUPPLEMENTAL INFORMATION

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UNITED STATES FENCING ASSOCIATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2013 (with comparative totals for 2012)

	PROGRAM SERVICES				SUPPORTING SERVICES			2013 Totals	2012 Totals
	International	National	Membership	Total	General and Administrative	Board of Directors	Total		
Payroll expenses	\$ 148,320	\$ 180,320	\$ 142,387	\$ 471,027	\$ 481,226	\$ -	\$ 481,226	\$ 952,253	\$ 893,441
Air travel	459,139	264,147	834	724,120	8,890	31,301	40,191	764,311	995,337
Hotel expense	248,142	276,365	-	524,507	3,888	34,841	38,729	563,236	944,767
Professional services	304,436	82,436	596	387,468	166,410	6,248	172,658	560,126	640,371
Rent	63,727	821,794	-	885,521	31,949	3,782	35,731	921,252	485,567
Honorarium	42,610	269,681	-	312,291	-	300	300	312,591	359,084
Venue decorator	1,995	139,798	-	141,793	-	-	-	141,793	183,738
Per diem	54,135	93,340	-	147,475	31	300	331	147,806	239,135
Meals	27,426	204,046	1,402	232,874	5,886	17,965	23,851	256,725	200,709
Credit card and bank fees	575	-	-	575	149,560	390	149,950	150,525	345,141
Marketing	8,876	25,515	-	34,391	6,244	227	6,471	40,862	2,755
Ground transportation	38,607	67,886	138	106,631	6,767	4,537	11,304	117,935	113,386
Dues and fees	98,740	47,689	114,636	261,065	5,805	9,667	15,472	276,537	138,835
Printing	2,677	1,878	37,662	42,217	18,878	994	19,872	62,089	68,777
Postage and freight	5,140	99,316	1,237	105,693	22,571	136	22,707	128,400	113,704
Merchandise	41,531	-	-	41,531	32,072	-	32,072	73,603	61,129
Supplies	21,185	48,188	928	70,301	14,722	1,875	16,597	86,898	53,525
Rebates	75	-	46,449	46,524	837	-	837	47,361	48,459
Insurance	2,162	4,884	72,473	79,519	8,237	-	8,237	87,756	52,859
Bad debts	2,040	-	-	2,040	1,627	-	1,627	3,667	43,469
Telephone	11,049	39,202	-	50,251	24,019	1,617	25,636	75,887	49,429
Depreciation and amortization	-	-	-	-	45,183	-	45,183	45,183	45,381
Equipment	-	4,865	-	4,865	10,210	-	10,210	15,075	2,048
Interest expense	-	-	-	-	3,397	-	3,397	3,397	3,951
Awards and incentives	126,200	-	-	126,200	10,000	-	10,000	136,200	43,500
Miscellaneous	5,792	2,856	210	8,858	58	95	153	9,011	7,090
Total expenses - 2013	\$ 1,714,579	\$ 2,674,206	\$ 418,952	\$ 4,807,737	\$ 1,058,467	\$ 114,275	\$ 1,172,742	\$ 5,980,479	\$ 6,135,587
Percent of totals - 2013	29%	45%	7%	80%	18%	2%	20%	100%	100%
Comparative totals - 2012	\$ 2,453,934	\$ 2,196,483	\$ 375,966	\$ 5,026,383	\$ 962,072	\$ 147,132	\$ 1,109,204		
Percentage of totals - 2012	40%	36%	6%	82%	16%	2%	18%		

See independent auditor's report.