

April 26 Executive Director Report

Finances

Audit Report:

It has come to my attention that a preliminary draft of the USOC Audit report for the Grant Years 2010-2011 has been circulated widely. This document is marked as a draft and is NOT the final version. Rather, it was sent to us for comment and to give us a chance to correct any inaccuracies in it, of which there are a few. Upon receiving this report on April 2, it was immediately forwarded to David Herr, chair of the Audit Committee for review. He, Sunil Sabharwal, USA Fencing's Treasurer and I then discussed the draft and I arranged for a meeting with the USOC Audit staff. This meeting occurred on Friday, April 20 and was a productive conversation where they agreed to make several modifications to their initial draft report. We have received a preliminary final draft and are currently waiting for the actual final draft of the report. This final draft, along with our responses to it which will be written with the Audit Committee, will be disseminated to the BOD at a future meeting.

Below are some of the specific issues:

Financial Status: The report states that our "financial condition is dire." This is indisputable. The report uses our audited financial reports from the last several years, all of which are posted to the USA Fencing website. The report notes our negative assets at the end of 2011 \$(929,383). It also notes our current assets \$501,107 and current liabilities \$1,669,317. Some seem to be particularly concerned by the current liabilities. First, note that these are as of July 31, 2011, not as of today. See the chart below comparing them from July 31, 2008, July 31, 2011 and March 31, 2011 (unaudited).

	7/31/2008	7/31/2011	3/31/2012
Current Liabilities:			
Accounts Payable and accrued expenses	\$ 1,232,388	\$ 971,024	\$ 624,526
Deferred Revenue	\$ 1,056,223	\$ 597,254	\$ 646,298
Grants Payable to Athletes	\$ 80,076	\$ 10,000	\$ 5,000
Due to division and sections	\$ 57,963	\$ 74,965	\$ 78,825
Note payable (current portion) ¹	\$ -	\$ 16,074	\$ 16,074
Total current liabilities	\$ 2,426,650	\$ 1,669,317	\$ 1,370,722
Net Deficit	\$ 1,729,902	\$ 929,383	\$ 856,832

¹The Note payable showed on 3/31/2012 is an estimate based on the past couple of audited reports and moves long term liabilities in the report provided to the BOD into current liabilities so that it's easier to compare to 7/31/2011.

As you can see, we are showing slow, but steady improvement over each period – though it is likely that at the end of the year our current liabilities will go up as we will have lots of expenses from Summer Nationals that will be paid early in fiscal 2012/13. Note also that the Deferred Revenues in each period

are for things like tournaments that have not yet occurred, but for which we have taken entries or for three year or lifetime memberships and are expensing over time. Thus they are not liabilities that we will ever need to pay. Our actual payable amounts are for the accounts payable and accrued expenses, grants payable to athletes (the \$5K in the current period is from the All Academic Team awards from last year) and Dues to divisions and sections.

The USOC report goes on to mention that we had a loss last fiscal year and that we have an essentially \$0 budget for 2011/12. Over the past two years the BOD made a conscious decision to spend as much as possible on our high performance programs in order to increase our chances of success at the 2012 Olympic Games. However, as noted in the report and in our audited financial statements, we do have a plan to get out of this deficit position. Specifically, the BOD, in the strategic plan passed in September 2011 has directed the National Office to present a budget for the fiscal 2012/2013 year with a surplus anticipated to take the association to a net deficit of no more than \$300,000 at the end of that fiscal year.

Accomplishing this will require significant belt tightening throughout USA Fencing and the National Office has started this process. In the middle of May draft budgets will be prepared for discussion with the Budget and Finance Committee and other committees of USA Fencing so that we may have a wide discussion about our revenues, expenses and priorities in the next quadrennial.

Succession Plan: The report indicated concern about the quick turnover at the Executive Director and High Performance Director Positions. Further, the report stated that we were out of compliance with directives in last year's Performance Partnership Agreement (PPA) with the USOC. It has been pointed out and acknowledged by the USOC that, in fact, we did provide information to them around this stipulation. In new information the USOC indicates that they did not feel that the information provided was sufficiently robust, but that they did not communicate this dissatisfaction to us. We will provide in the next several days information to the USOC to ensure that this stipulation is met in this current PPA.

Reallocation Request timing: The PPAs from the USOC are quite detailed as to how we must use the funding they provide. Over the course of the year, things change and we often request that they shift funds from one program to another (for example from WF Training Camps to WF Travel to World Cups). We have not done a good job of getting them these requests in a timely fashion and must commit to doing a better job of this in the future.

ME Revenue not being reported: This was a mistake on our part and we will be sure to not repeat the error. Essentially, when a program has revenues outside of the monies given by the USOC they need to be reported on the same line item as the funding they give us. Having been through this process and understanding the issues our finance team will now be able to properly report the information to the USOC.

IR Grant: After discussions with the USOC we now understand that there was an international relations grant given to us in 2008 that went unspent. Those funds, by the agreement, had to be repaid to the USOC in 2009. The USOC did not record this receivable on their books and we did not have it anywhere on our books. It was only discovered during this audit process and, now that we know about it, the

USOC will provide us with an invoice which we will pay. We will discuss if it might be possible to request relief from the USOC (i.e. forgive the debt) over the next few weeks.

Accounting Policies: The USOC made several recommendations to our accounting policies to tighten up the procedures and make them better. We will review these recommended procedures and determine, with help from the audit committee and our external auditors how to make adjustments to our Financial Policies and Procedures to comply with these recommendations and tighten up what we’re doing.

Code of ethics and annual disclosure: I’m happy to report that this is already in the works. The USOC has provided some specific information to help guide our efforts in this direction.

General Comments

We have had no significant surprises in the month of March and continue with, essentially, the same financial situation as last month.

Membership:

Membership numbers

Below you will find our current membership as of March 31 as compared to February 29.

Membership Type	31-Mar	29-Feb
Club	562	548
Commercial	10	9
Competitive	17,337	16,571
Life	520	520
Life w/installment	107	106
Olympian Life	88	88
Paralympian	13	13
Professional	443	429
Supporting	388	371
Total	19,468	18,655
One Day (in the month)	152	223

We are under by 945 members at the end of March vs. 2011. This is worse by 101 members as compared to a lag of 844 members at the end of February.

Events

2012/2013 USA Fencing NAC Schedule

Finalizing the 2012/2013 schedule took longer than anticipated. The schedule is now posted to the USA Fencing website and a feature story is on the front page. The National Office, with the assistance of PSA our event management company, is finalizing the locations with the intent of releasing them on June 30

Future Stars

Unfortunately, the Olympic Training Center could not accommodate our request to hold Future Stars at the Colorado Springs facility. We explored other locations and were unable to find a suitable one. Therefore, though we are absolutely committed to our youth fencers and believe that this would have been a quality experience, we are postponing the roll-out of the program until 2013 when we can obtain an excellent facility and make sure that we have a quality program.

Marketing and Communications

After a huge amount of work from Nicole Jomantas and Tanya Brown we will shift to the USOC's new web platform on Thursday evening (Apr 26). We must operate with this site, based on our current contract, through the end of this calendar year. We are in further negotiations with the USOC Marketing department about whether we will continue this relationship. Feedback from the membership about the functionality of the new website will play a part in this decision.

International:

2012 World Championships for MET and WST

The 2012 Team World Championships for Men's Epee and Women's Sabre were held on April 13/14 in Kiev, Ukraine. The Men's Epee Team of Ben Bratton, Seth Kelsey, Cody Mattern and Soren Thompson won the first gold medal by a men's team or individual in the last 100 years, beating France, the 8 time defending world champion. The Men's Epee team was named as USA Today's Olympic Athletes of the week for this historic achievement.

The Women's Sabre team of Ibtihaj Muhammad, Daria Schneider, Dagmara Wozniak and Mariel Zagunis won the bronze medal continuing their string of strong World Championship performances.

Please join me in congratulating all our athletes for these fantastic results.

Junior/Cadet World Championships

The Junior/Cadet World Championships in Moscow, Russia were a success. Our athletes obtained 12 medals, second only to Russia. A survey of the athletes, coaches and cadre will be sent in the next 24 hours to determine how we might continue to improve our performance and support our athletes as much as possible.

Please join me in congratulating all of our Junior and Cadet World Championship medalists:

Sara Taffel: Silver, Cadet Women's Foil

Andrew Mackiewicz: Silver, Cadet Men's Sabre

Skyla Powers: Bronze, Cadet Women's Sabre

Francesca Russo: Bronze, Cadet Women's Sabre

Jessie Radanovich: Bronze, Cadet Women's Epee

Alexander Eldeib: Bronze, Cadet Men's Epee

Eli Dershwitz: Silver, Junior Men's Sabre

Lee Kiefer: Bronze, Junior Women's Foil

Alexander Massialas: Bronze, Junior Men's Foil

Men's Foil Team (Chang, Dudey, Imboden, Massialas): Gold

Women's Foil Team (Dubrovich, Kiefer, Lu, Prescod): Silver

Women's Epee Team (Abend, Holmes, Severson, Van Brummen): Bronze

Pan American Zonal Championships:

We have just officially learned that the Pan American Zonal Championships have been moved from Monterrey, Mexico to Cancun, Mexico. Dates remain the same; June 15-20.

Olympic Games:

The Division I National Championships proved to be an exciting event with athletes in all four events that have teams at the 2012 Olympic Games (WF, MS, WE, MF) needing results to finalize the team. Please see the article on the website officially announcing the team:

http://usfencing.org/news/2012/04/16/u-s-olympic-team-and-staff-selected-for-london-olympic-games/47693?ngb_id=19