

The Financial State of US Fencing

Many members of US Fencing are aware of the financial documents released before our Board meeting in Charlotte. Those documents rightly raised concern that the association might be in financial trouble. Your Board of Directors and Executive Committee had similar questions and concerns. To address and rectify these issues we have moved to establish two committees, an audit committee and a budget committee, to oversee the financial affairs of US Fencing and report any issues to the membership. This note is a combined effort of those two committees.

Our first official function was a conference call with auditors of US Fencing, the CPA firm of Waugh & Goodwin, LLP. On the call representing US Fencing were members of the audit and budget committees along with Nancy Anderson, President of US Fencing and Jill Goodwin, US Fencing's lead auditor from Waugh & Goodwin.

We spoke for over an hour, and the results of the call were as follows:

1. US Fencing is NOT currently at risk of insolvency.
2. The budget deficit is NOT the result of any malfeasance.
3. The current outlook for this fiscal year is much healthier than last year.
4. There are new controls in place to guard against surprises like this in the future.

We will now address all of the above in a little more detail.

After speaking with Jill, we learned that she was initially very concerned that the auditors might have to issue a "going concern" letter, meaning a written notice that there is doubt the entity in question can continue as a going concern for the next fiscal year. She has now determined that this will not be necessary given the current state of our financials, as of the end of January 2008. We have paid down 95% of the debt incurred on the July 31, 2007 statement and all of our receivables are of the 30-60 day nature. Jill believes that most of the issues facing our organization were one-time issues which have been addressed. This leads us to our second point.

There was no malfeasance at US Fencing. We know and understand that many members have concerns that there may have been some illegal conduct, which has led to our enlarged deficit. The members of the committees had similar concerns. Jill gave us assurances that this was not the case. Our difficulties are a case of a "death from a thousand cuts" rather than any single calamitous event. Yes, Summer Nationals overruns hurt, as did the overall loss from our other domestic events. After that, the deficit was a result of a high number of smaller items all coming in over budget and adding up to one large figure. The reason for the late notice was simply that a staff member of the national office, who has since left the organization, was not up to the task of accounting for all of our various programs. By the time it was discovered that this person could not, and was not, handling the intricacies very well, many programs and events had run far into the red. Take our weapon squads, for example – they submit receipts for activities; those receipts should have been quickly entered and counted against their budget, telling them how much money they had remaining for the season. This was not done, so the weapon squads ran over budget; by the time it was discovered, the money had been spent. If you multiply this problem by all of our various programs, you can see how quickly this can get out of control. This problem has been resolved, and we have new, qualified staffing in place.

Next, the current state of US Fencing is much healthier than last year. Our bills are paid, and our tournament costs are in control. Through the end of January, the organization has revenues that are significantly higher than expenses. As mentioned previously, this positive cash flow, along with other financing activities, has allowed us to pay down the vast majority of accrued liabilities stemming from the end of last year. In addition, the US Olympic Committee has changed the timing of funding NGBs; they now will give the grants when the organization most needs it rather than on a fixed schedule, therefore, allowing us to better match the grants to our organization's expenses. This will also help our balance of payments this year and in the coming years.

Obviously, any member can rightfully ask if Summer Nationals and our International Programs got us in trouble last year, why would they not do the same this year and put us in this same situation next year? While that is a possibility, there are many more internal controls now in place and a more qualified staff to identify problems and address them as they arise, instead of waiting until there is nothing that can be done except to write the checks. In addition, we have increased oversight by adding the audit and budget committees to our financial processes. Each month, the National Office will send reports to these committees, ensuring oversight of our financial health and giving us the opportunity to take action should costs or revenues again get out of line with projections.

The members of the budget and audit committees wanted to get word to the general membership as quickly as possible that US Fencing is in better financial health than last year and to put to rest any ideas of illegal activities. We also wanted to assure you that steps are now being taken to ensure and safeguard the short and long-term fiscal viability of US Fencing. If you have additional questions please contact us at usfafinance@yahoo.com. We will respond to your query as quickly as possible.

Sincerely,

Budget & Finance Committee:
Derek Cotton
Greg Dilworth
Scott Rodgers
Carla Mae Richards

Audit Committee:
Ed Wright
Evan Ranes
John Strass