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**UNITED STATES FENCING ASSOCIATION**

**FINANCIAL STATEMENTS**

**JULY 31, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**United States Fencing Association**

Colorado Springs, Colorado

We have audited the accompanying financial statements of United States Fencing Association (a nonprofit organization), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 financial 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 United States Fencing Association as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
December 4, 2020

**UNITED STATES FENCING ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and equivalents	\$ 691,043	\$ 1,578,662
Accounts receivable, net	321,762	265,950
Investments	1,373,039	1,038,413
Prepaid expenses and other current assets	425,436	635,101
<b>Total current assets</b>	<b>2,811,280</b>	<b>3,518,126</b>
Property and equipment, net	43,247	49,942
Intangible assets, net	11,149	47,268
	<u>54,396</u>	<u>97,210</u>
<b>Total assets</b>	<b>\$ 2,865,676</b>	<b>\$ 3,615,336</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 95,116	\$ 806,568
Accrued expenses	316,187	177,875
Deferred revenue	984,019	1,141,882
Grants payable to athletes	53,008	37,758
Paycheck Protection Program loan payable	190,417	-
<b>Total current liabilities</b>	<b>1,638,747</b>	<b>2,164,083</b>
Net assets without donor restrictions		
Board designated	-	250,000
Other designated	-	30,600
Net equity in property and equipment and intangible assets	54,396	97,210
Undesignated	1,172,533	1,073,443
<b>Total net assets without donor restrictions</b>	<b>1,226,929</b>	<b>1,451,253</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,865,676</b>	<b>\$ 3,615,336</b>

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS</u></b>		
Registration fees	\$ 3,101,404	\$ 5,332,571
Membership dues	1,955,415	1,951,386
USOC support	846,056	849,820
Royalties and sponsorship	292,641	603,051
In-kind revenue	1,008,700	1,137,200
Club insurance	253,292	246,989
Contributions	122,746	86,581
USFF grants	110,560	97,570
Grant revenue	35,416	45,267
Investment income	64,916	72,019
Other	695,395	872,109
Total unrestricted revenue and support	<u>8,486,541</u>	<u>11,294,563</u>
<b><u>EXPENSES</u></b>		
Program services:		
International	2,595,751	3,355,961
National	3,219,384	4,542,499
Membership	918,345	982,015
Total program services	<u>6,733,480</u>	<u>8,880,475</u>
Support services:		
General and administrative	1,237,233	1,162,118
Board of directors and committees	141,002	179,928
Marketing and communications	423,616	401,280
Development	175,534	93,604
Total support services	<u>1,977,385</u>	<u>1,836,930</u>
Total expenses	<u>8,710,865</u>	<u>10,717,405</u>
Change in net assets without donor restrictions	(224,324)	577,158
Net assets without donor restrictions, beginning of year	<u>1,451,253</u>	<u>874,095</u>
Net assets without donor restrictions, end of year	<u>\$ 1,226,929</u>	<u>\$ 1,451,253</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets without donor restrictions	\$ (224,324)	\$ 577,158
Adjustments to reconcile net assets to net cash flows from operating activities:		
Realized and unrealized investment gains	(48,662)	(60,602)
Depreciation and amortization	63,151	71,832
Gain on disposition of property and equipment	-	(345)
(Increase) decrease in operating assets:		
Accounts receivable	(55,812)	(97,348)
Prepaid expenses and other current assets	209,665	(110,484)
Increase (decrease) in operating liabilities:		
Accounts payable	(711,452)	223,088
Accrued expenses	138,312	61,232
Deferred revenue	(157,863)	161,037
Grants payable to athletes	15,250	8,059
Net cash flows from operating activities	<u>(771,735)</u>	<u>833,627</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(285,964)	(282,278)
Purchases of property and equipment	(20,337)	(6,299)
Purchases of intangible assets	-	(5,500)
Net cash flows from investing activities	<u>(306,301)</u>	<u>(294,077)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Cash received for Paycheck Protection Program loan	190,417	-
Net cash flows from financing activities	<u>190,417</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	(887,619)	539,550
Cash and equivalents, beginning of year	<u>1,578,662</u>	<u>1,039,112</u>
Cash and equivalents, end of year	<u>\$ 691,043</u>	<u>\$ 1,578,662</u>

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

**UNITED STATES FENCING ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JULY 31, 2020**

	PROGRAM SERVICES				SUPPORTING SERVICES						Totals
	International	National	Membership	Total	General and Administrative	BOD and Committees	Marketing and Communications	Development	Total		
Air travel	\$ 589,463	\$ 280,624	\$ 2,516	\$ 872,603	\$ 6,211	\$ 41,898	\$ 5,416	\$ 3,340	\$ 56,865	\$ 929,468	
Hotel expense	260,218	305,551	440	566,209	457	22,925	2,051	1,028	26,461	592,670	
Payroll expenses	255,374	301,285	249,198	805,857	458,516	-	233,393	152,461	844,370	1,650,227	
Professional services	489,940	144,471	108,468	742,879	115,613	13,600	115,222	5,500	249,935	992,814	
Rent	2,841	209,499	1,086	213,426	28,808	-	-	-	28,808	242,234	
Honorarium	81,264	345,685	-	426,949	-	6,975	-	-	6,975	433,924	
Credit card and bank fees	456	-	-	456	325,012	-	-	2,641	327,653	328,109	
Per diem	100,006	144,030	-	244,036	-	4,900	-	-	4,900	248,936	
Meals	46,549	161,049	2,637	210,235	4,586	8,035	678	867	14,166	224,401	
Venue decorator	66,667	203,284	-	269,951	-	-	-	-	-	269,951	
Dues and fees	99,300	72,693	76,417	248,410	310	8,386	599	1,275	10,570	258,980	
Ground transportation	66,013	79,277	508	145,798	816	6,320	966	1,140	9,242	155,040	
Postage and freight	33,111	117,384	1,213	151,708	1,814	29	10,738	207	12,788	164,496	
Printing	11,571	6,660	10,788	29,019	396	500	651	2,063	3,610	32,629	
Merchandise	30,553	4,003	-	34,556	385	479	-	-	864	35,420	
Supplies	18,041	48,676	5,603	72,320	29,776	15,536	2,990	2,055	50,357	122,677	
Insurance	10,893	1,654	379,663	392,210	22,894	-	4,500	-	27,394	419,604	
Telephone	25,751	49,818	-	75,569	13,623	2,998	2,014	-	18,635	94,204	
Rebates	-	-	79,078	79,078	-	-	-	-	-	79,078	
Depreciation and amortization	-	-	-	-	63,151	-	-	-	63,151	63,151	
Awards and incentives	206,242	-	-	206,242	-	-	-	-	-	206,242	
Marketing	51,050	2,000	621	53,671	-	427	42,135	2,055	44,617	98,288	
Equipment	-	-	-	-	6,996	-	-	-	6,996	6,996	
Miscellaneous	9,661	2,283	109	12,053	37,869	26	2,263	415	40,573	52,626	
In-kind expense	140,787	739,458	-	880,245	120,000	7,968	-	487	128,455	1,008,700	
<b>Total expenses - 2020</b>	<b>\$ 2,595,751</b>	<b>\$ 3,219,384</b>	<b>\$ 918,345</b>	<b>\$ 6,733,480</b>	<b>\$ 1,237,233</b>	<b>\$ 141,002</b>	<b>\$ 423,616</b>	<b>\$ 175,534</b>	<b>\$ 1,977,385</b>	<b>\$ 8,710,865</b>	
Percentage of totals - 2020	29.8%	37.0%	10.5%	77.3%	14.2%	1.6%	4.9%	2.0%	22.7%	100%	

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



**UNITED STATES FENCING ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JULY 31, 2019**

	PROGRAM SERVICES				SUPPORTING SERVICES						Totals
	International	National	Membership	Total	General and Administrative	BOD and Committees	Marketing and Communications	Development	Total		
Air travel	\$ 857,200	\$ 406,425	\$ 2,286	\$ 1,265,911	\$ 6,245	\$ 36,335	\$ 6,803	\$ 4,168	\$ 53,551	\$ 1,319,462	
Hotel expense	488,098	543,646	450	1,032,194	1,126	15,865	7,259	2,731	26,981	1,059,175	
Payroll expenses	300,833	231,021	268,883	800,737	425,488	-	260,016	62,919	748,423	1,549,160	
Professional services	496,157	246,781	72,840	815,778	72,923	35,675	53,465	5,000	167,063	982,841	
Rent	31,536	234,540	-	266,076	30,963	2,723	-	-	33,686	299,762	
Honorarium	108,851	610,725	-	719,576	-	8,125	-	500	8,625	728,201	
Credit card and bank fees	2,534	530	-	3,064	361,479	283	-	752	362,514	365,578	
Per diem	182,710	141,915	-	324,625	-	7,310	-	-	7,310	331,935	
Meals	84,863	356,512	8,111	449,486	5,072	21,804	1,065	6,888	34,829	484,315	
Venue decorator	58,575	305,701	-	364,276	-	300	-	-	300	364,576	
Dues and fees	140,351	75,012	81,901	297,264	7,338	7,467	867	1,806	17,478	314,742	
Ground transportation	88,002	115,780	663	204,445	949	5,868	1,504	903	9,224	213,669	
Postage and freight	59,506	152,125	4,656	216,287	3,168	89	5,550	411	9,218	225,505	
Printing	3,970	3,404	13,510	20,884	1,138	885	1,233	1,972	5,228	26,112	
Merchandise	81,632	4,015	1,254	86,901	1,955	-	636	-	2,591	89,492	
Supplies	36,683	55,500	7,534	99,717	29,547	14,523	4,248	5,399	53,717	153,434	
Insurance	12,057	-	414,688	426,745	3,895	-	4,500	-	8,395	435,140	
Telephone	41,338	75,523	2,342	119,203	21,411	7,763	2,271	-	31,445	150,648	
Rebates	-	-	99,225	99,225	-	-	-	-	-	99,225	
Depreciation and amortization	-	-	-	-	71,832	-	-	-	71,832	71,832	
Awards and incentives	146,692	-	-	146,692	-	-	-	-	-	146,692	
Marketing	78,730	1,340	120	80,190	-	467	41,642	-	42,109	122,299	
Equipment	-	-	-	-	8,123	-	-	-	8,123	8,123	
Miscellaneous	14,604	3,728	2,500	20,832	7,707	1,840	7,753	155	17,455	38,287	
In-kind expense	41,039	978,276	1,052	1,020,367	101,759	12,606	2,468	-	116,833	1,137,200	
<b>Total expenses - 2019</b>	<b>\$ 3,355,961</b>	<b>\$ 4,542,499</b>	<b>\$ 982,015</b>	<b>\$ 8,880,475</b>	<b>\$ 1,162,118</b>	<b>\$ 179,928</b>	<b>\$ 401,280</b>	<b>\$ 93,604</b>	<b>\$ 1,836,930</b>	<b>\$ 10,717,405</b>	
Percentage of totals - 2019	31.3%	42.4%	9.2%	82.9%	10.8%	1.7%	3.7%	0.9%	17.1%	100%	

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

**UNITED STATES FENCING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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**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 memberships dues and event registration fees.

Basis of Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time or resources whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association. The Association currently has no net assets with donor restrictions.

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.

Cash and equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments with an initial maturity 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, 2020 AND 2019**

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**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. The Association provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Association's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Association's estimate of the allowance for doubtful accounts will change. As of July 31, 2020 and 2019, accounts receivable are presented net of an allowance for doubtful accounts of \$47,811 and \$25,391, respectively.

Property and equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized and recorded at cost or fair value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets:

Tournament equipment	5 years
Computer equipment	3 years
Furniture and fixtures	5 years

Depreciation expense for the years ended July 31, 2020 and 2019 totaled \$27,032 and \$30,609, respectively.

Intangible assets

Intangible assets consist of software, website development and rebranding costs and are being amortized using the straight-line method over estimated useful lives of three to five years. Amortization expense for the years ended July 31, 2020 and 2019 totaled \$36,119 and \$41,223, 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.

See independent auditor's report.

**UNITED STATES FENCING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue and net assets without donor restrictions.

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 organized as a not-for-profit entity in the state of Colorado. The Internal Revenue Service has determined that the Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("Code"). As a qualified tax-exempt organization, the Association must operate in conformity with the Code in order to maintain its tax-exempt status. The Association is also exempt from state corporate income tax.

The Association follows the guidance contained in ASC Topic 740-10-25, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740-10-25 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken. Based on its evaluation, the Association concluded that there are no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

See independent auditor's report.

**UNITED STATES FENCING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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

Functional allocation of expenses

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses are recorded when costs are incurred. The majority of expenses are comprised of travel, lodging, food, site costs, etc. which are allocated to program as the costs are associated with events the Organization hosts and/or events their athletes attend. For salaries expense, the Organization reviewed the salaries for each employee and allocated the expense as a percentage of time effort spent in each category. Remaining expenses are allocated to the category to which they directly relate.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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.

Accounting pronouncements adopted

In 2019, the Organization adopted ASU No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASC Topic 958") on a modified prospective basis. This ASU Clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in US GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

See independent auditor's report.

**UNITED STATES FENCING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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**2. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of July 31,:

	2020	2019
Cash and equivalents	\$ 691,043	\$ 1,578,662
Accounts receivable, net	321,762	265,950
Investments	1,373,039	1,038,413
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,385,844	\$ 2,883,025

As part of the organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, the organization invests cash in investments with the United States Olympic Endowment. In addition to financial assets available to meet general expenditures over the next 12 months in the table above, the Organization also operates in accordance with a board approved budget and anticipates collecting sufficient revenue to cover general expenditures.

**3. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Association has investments which are held in an investment pool owned and maintained by the United States Olympic Endowment ("USOE"). All investments are in the name of the USOE. The USOE invests in investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in the Association's financial statements.

The Association is subject to a framework for measuring fair value pursuant to US GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

See independent auditor's report.

**UNITED STATES FENCING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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**3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The three levels of the fair value hierarchy are described below:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

USOE investment pool

The Association's investment in the USOE investment pool is stated at the fair value provided by the USOE. Certain investments in the USOE investment pool are valued using Level 3 inputs; therefore, the Association's investment in the USOE pool is considered a Level 3 investment.

The Association may terminate its investment agreement with the USOE effective at the end of any calendar month upon the giving of at least 90 days written notice or upon shorter notice acceptable to the USOE if the USOE determines that adequate liquidity exists in the portfolio to permit early termination.

Fair value measurements of assets recognized in the accompanying financial statements, measured at fair value on a recurring basis, consist of the following as of July 31:

	<b>2020</b>			
	Level 1	Level 2	Level 3	Total
USOE pooled investment	\$ -	\$ -	\$ 1,373,039	\$ 1,373,039
	<b>2019</b>			
	Level 1	Level 2	Level 3	Total
USOE pooled investment	\$ -	\$ -	\$ 1,038,413	\$ 1,038,413

See independent auditor's report.

**UNITED STATES FENCING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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**3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

USOE investment pool (continued)

The allocation of the USOE investment pool to the Association consisted of the following at July 31:

	<u>2020</u>	<u>2019</u>
Alternative investments*	41%	38%
Domestic equity securities	33%	31%
International equities	18%	18%
Domestic bonds	6%	7%
International bonds	0%	3%
Cash and equivalents	<u>2%</u>	<u>3%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

\*Alternative investments include hedge equity funds, private equity funds, real estate funds, and limited partnerships.

See independent auditor's report.



**UNITED STATES FENCING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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**3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<u><b>USOE Pooled Investments</b></u>
Balance, August 1, 2018	\$ 695,533
Additions	275,000
Unrealized gains related to assets held at July 31, 2018	44,267
Realized gains	16,335
Interest and dividend income	<u>7,278</u>
Balance, July 31, 2019	\$ 1,038,413
Additions	275,000
Unrealized losses related to assets held at July 31, 2020	(57,067)
Realized gains	105,729
Interest and dividend income	<u>10,964</u>
Balance, July 31, 2020	<u><u>\$ 1,373,039</u></u>

Total investment income is comprised of the following for the years ended July 31:

	2020	2019
Interest and dividend income	\$ 16,254	\$ 11,417
Net realized and unrealized gains on investments	<u>48,662</u>	<u>60,602</u>
Total	<u><u>\$ 64,916</u></u>	<u><u>\$ 72,019</u></u>

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**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at July 31:

	<u>2020</u>	<u>2019</u>
Tournament equipment	\$ 163,751	\$ 146,010
Computer equipment	23,252	22,418
Furniture and fixtures	<u>29,370</u>	<u>29,370</u>
	216,373	197,798
Accumulated depreciation	<u>(173,126)</u>	<u>(147,856)</u>
Property and equipment, net	<u><u>\$ 43,247</u></u>	<u><u>\$ 49,942</u></u>

**5. INTANGIBLE ASSETS**

Intangible assets consist of the following at July 31:

	<u>2020</u>	<u>2019</u>
Software	\$ 82,497	\$ 82,497
Website development and rebranding	<u>102,656</u>	<u>102,656</u>
	185,153	185,153
Accumulated amortization	<u>(174,004)</u>	<u>(137,885)</u>
Intangible assets, net	<u><u>\$ 11,149</u></u>	<u><u>\$ 47,268</u></u>

Estimated future amortization expense of intangible assets as of July 31, 2019 is as follows:

<u>Years Ending July 31,</u>	
2021	\$ 9,774
2022	<u>1,375</u>
	<u><u>\$ 11,149</u></u>

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**6. DEFERRED REVENUE**

Deferred revenue consists of the following as of July 31:

	<u>2020</u>	<u>2019</u>
Membership dues	\$ 444,945	\$ 824,599
USOC grants	278,564	190,964
Insurance fees	70,275	-
Other	168,082	97,609
International tournament fees	<u>22,153</u>	<u>28,710</u>
Total	<u>\$ 984,019</u>	<u>\$ 1,141,882</u>

**7. PAYCHECK PROTECTION PROGRAM LOAN**

The Association applied for and received a loan from the Small Business Administration ("SBA") as part of the Paycheck Protection Program ("PPP"), which is part of the federal government's Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Association received a loan in April 2020 for \$190,417 and has chosen to account for the proceeds as debt under ASC 470. The terms of the loan require interest to accrue at the rate of 1% per annum from the loan date. The Association anticipates that the loan will be wholly forgiven, and the Association released from its obligation during the year ended July 31, 2021. At that point the amount forgiven will be recognized as a contribution.

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**8. COMMITMENTS AND CONTINGENCIES**

Leases

The Association leases office space and a copier under operating lease agreements expiring on various dates through 2025. Payments under noncancelable lease agreements totaled \$51,410 and \$52,543 for the years ended July 31, 2020 and 2019, respectively.

The Association also has various software related commitments, expiring on various dates through 2023. Payments under these commitments totaled \$143,700 and \$154,200 for the years ended July 31, 2019 and 2018, respectively.

The future minimum annual payments under these operating leases and software commitments as of July 31, 2020 are as follows:

<u>Years Ending July 31,</u>	
2021	\$ 223,608
2022	191,891
2023	90,763
2024	39,718
2025	<u>5,718</u>
	<u>\$ 551,698</u>

Line of credit

The Organization has available a revolving line of credit with a financial institution in the amount of \$525,000. The line of credit expires in May of 2021, unless extended. Borrowings under the line of credit bear interest at the financial institution's prime rate. Borrowings are collateralized by all assets of the Association. As of July 31, 2020, there is no outstanding balance due.

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**9. CONCENTRATIONS**

As of July 31, 2020 and 2019, 53% and 58%, respectively, of the Association's gross accounts receivable balance was due from three companies.

The Association has entered into a Performance Partnership Agreement with the United States Olympic Committee ("USOC"). The Association is 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. Grants from the USOC represent approximately 10% and 8% of the Association's total revenue and support for the years ended July 31, 2020 and 2019, respectively.

**10. RELATED PARTY TRANSACTIONS**

The United States Fencing Foundation ("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, 2020 and 2019, the USFF provided grants to the Association in the amounts of \$110,560 and \$97,570, respectively. Included in accounts receivable as of July 31, 2020, \$41,500 is due from USFF.

During the years ended July 31, 2020 and 2019, the USFF paid the Association \$1,500 each year for management services.

The Association is a member of the USOC. The USOC serves as the National Olympic Committee and National Paralympic Committee for the United States and was formed to support the US Olympic and Paralympic athletes. During the years ended July 31, 2020 and 2019, the USOC provided grants to the Association in the amounts of \$846,056 and \$849,820, respectively.

The Association entered into a contract with a non-voting member of the board or directors plan and oversee the operations of a local event. During the year the Association paid \$5,400 in relation to this contract. Due to the pandemic, the contract was cancelled and no additional payments were made on behalf of the contract.

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**11. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS**

Effective January 1, 2018, the Association maintains a 401(k) plan covering all eligible 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 4% of employee earnings. Prior to January 1, 2018, the Association maintained a SIMPLE IRA under section 408(b) of the Code. The Association made contributions to the plans of \$42,059 and \$34,937 for the years ended July 31, 2020 and 2019, respectively.

**12. CONTRIBUTED SUPPLIES AND SERVICES**

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

	<u>2020</u>	<u>2019</u>
International programs	\$ 140,787	\$ 41,039
National programs	739,458	978,276
Membership	-	1,052
General and administrative	120,000	101,759
Board of directors and committees	7,968	12,606
Marketing and communications	-	2,468
Development	<u>487</u>	<u>-</u>
Total	<u>\$ 1,008,700</u>	<u>\$ 1,137,200</u>

In addition to the aforementioned donated supplies and services, the Association received donated services during the years ended July 31, 2020 and 2019 which are not recognized in the financial statements because they do not meet the criteria for recognition under US GAAP.

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**13. RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization characterized an outbreak of novel strain of coronavirus (“COVID-19”) as a pandemic and on March 13, 2020, the United States declared a national emergency. As a result, the current economic environment has presented companies and organizations with unprecedented circumstances and challenges. Impacts to the Organization include disruptions and restrictions on the ability of employees to work, loss of membership and cancelations of global events and tournaments including the 2020 Tokyo Olympics and other restrictions imposed by governments that could restrict the ability of programs to continue. COVID-19 is also expected to adversely affect economies and financial markets in the United States and throughout the world. The extent of the impact on the Organization’s financial position, operating results and cash flows will depend on future developments, including the duration and spread of the outbreak, which are highly uncertain and cannot be predicted.

**14. SUBSEQUENT EVENT**

The Association entered into a building lease to lease office space under an operating lease agreement beginning in September 2020 expiring on December 31, 2023. Payments under this lease will increase each year and range from \$3,185 to \$4,600 monthly. The future minimum payments are included in the table in note 8.

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