

Minutes

Special Meeting of the USA Fencing Board of Directors

May 24, 2012 via Teleconference

Present: Bradley Baker, Bill Becker, David Blake, Aaron Clements, Wes Glon, David Herr, Terry Kwan, Mario Rodriguez, Jeff Salmon, Laurie Schiller, Jay Strass, Soren Thompson, Kalle Weeks

Absent: Sunil Sabharwal, Alex Wood

Guests: Donald Alperstein, Giorgio Bassa, Gerrie Baumgart, Dan Berke, Jay Choi, Greg Dilworth, Cristina Gordet, Mary Griffith, Alex Gruman, Ashley Hatfield, Andrew Lambdin-Abraham, Hannah Provenza, Kevin Smith, Michael Tarascio, Delia Turner

I. General Information and Organizational Items

General announcements

Remarks – Kalle Weeks, President

Ms. Weeks noted that this is a special meeting of the Board. Participation is limited to members of the Board unless other individuals are particularly recognized.

Thanks were extended to Nicole Jomantas for a terrific job of getting information out about the results of our athletes.

II. Minutes of the April 26, 2012 Special Meeting of the Board of Directors

Motion (Mr. Baker): To approve the minutes of the April 26, 2012 Special Meeting of the Board of Directors.

Second: Mr. Herr

Motion passed.

III. Olympic Report (Jim Page and Bob Largman)

Mr. Page and Mr. Largman were unavailable during the Board meeting. A written report was sent to the Board and is included here as Appendix H. Further questions should go to Mr. Page and Mr. Largman

or to Ms. Weeks.

IV. Executive Director's Report (Greg Dilworth)

[Executive Director's Report is included as Appendix A]

Mr. Dilworth provided some oral remarks.

Because of some anticipated positive variances over next couple months, budget has gotten better. Using partnership mentioned in earlier reports with Chicago Sports and Entertainment Partners. We are finalizing getting sponsors for the Chicago world cup. The Olympic prep budget has dropped a bit. Pan Am Zonal Championships expense has improved due to being in Mexico, rather than Chile. The Executive Director search process has shifted \$10,000 in expense to 2012-13.

Membership: read report

Coaches Institute is not going well. After several promotional efforts, we have not had strong interest in enrollment. The staff will discuss tomorrow morning whether has been enough interest to proceed with the project. If yes, a decision will have to be made concerning the level of activity to be provided. It may be possible to move the institute to the fencing gym on the OTC campus, which can accommodate 10-20 people but not 50.

Question: The registration date is still far out. Lots of people wait to the last minute. Are there any plans to publicize the program further? It was a popular idea when originally put forward.

Answer: There are definitely plans to do this. Specifically, every professional member and every club has been sent a postcard highlighting the Institute and what's going on. The plan is to have successful event. We may be a week or so premature in making a final determination. We've been having conversations with Michael [Marx]. I wouldn't say it's a definite change. Committing to several additional tens of thousands of expense without expectation of revenue is not a wise course. Michael is currently traveling and unable to weigh in. We will have more information tomorrow.

Question: Who is will be involved in the decision?

Answer: Jim Page, Greg Dilworth, and Michael Marx.

Question: Is the USFCA involved in the decision?

Answer: I will add Abdel [Salem] to list.

Question: If we pull plug, what are our obligations to UC-CS and the Coaches Institute staff?

Answer: We have none to UC-CS. We would have to figure out our obligations to the staff. We would

certainly have some. That will be part of the discussion.

The Chicago world cup is going well.

Marketing/Communications.

The new website continues to have functionality problems, although many have been fixed. There are still enhancements ongoing to be fully functional, some of which are low priority for us. We thought it was not a good idea to go live now, during an election period. We intend to go live during the first full week of June. Fairly shortly after that we need to make decision of whether or not to stay with the USOC and sign a new Digital Media Agreement. If we do, we would use their website through 2016. Ms. Weeks and Mr. Dilworth will put together a group of people with website experience to gauge whether or not the USOC website is a good fit for us. We can then decide if we are willing to forego the offered revenue and expend money to go our own way.

Question: Is it possible to roll out privately before going live?

Answer: Sure. I will email out a link to the test site.

Question: Who should receive any comments and concerns?

Answer: Nicole Jomantas.

International:

I expected Bob or Jim to be present. The Pan Am Youth Tournament is happening this weekend. We anticipate success from our athletes.

ED Transition:

SportSearch has posted the Executive Director job on the National Sports Commission job board. We're getting expressions of interest from many excellent candidates.

Question: Club owners have raised many questions about alternative insurance companies without the requirement for full membership. There is confusion about who has to be a member. For example, kids taking classes at the entry-level in a club for a month or two. It's unclear what the answer is.

Answer: If a person is involved in a fencing activity at an insured member club, that person needs to be a member.

Question: Even if just a class?

Answer: Absolutely, if in a class.

Question: Other company options?

Suggestion: A FAQ sheet from Kris Ekeren should be developed and posted.

Response: That will be done. Please forward questioners to Kris.

Question: Will there be easy access to policy documents?

Answer: Once complete, sure.

Question: Did we look at many other companies?

Answer: Our two brokers looked at companies for us.

Question: I've been Contacted by RailStation. Their contract is still not signed. Where are we on that and why is it taking so long?

Answer: We've been going back and forth. We have taken too long to get back to them. Currently we have a nearly-final version and expect to complete the process shortly.

Question: Where are we on participation levels for the Chicago world cup?

Answer: It's impossible to know until about a week before. The FIE close of registration is 7-8 days out. We are anticipating lower numbers than last year and are budgeting based on that. We won't have a count until about a week out.

Question: Are there contracts for sponsorship of the World Cup?

Answer: We are working to finish contracts with a couple of sponsors. In no case do sponsorships require use of Intellectual Property but rather are for receptions at the event, etc. The contracts will not need Board approval.

Question: We get \$15,000, while our agent gets \$20k. It seems unusual we'd get less than agent. Could you provide more detail?

Answer: We paid a retainer of approximately \$10,000. Past that, they get 25%, which amounts to \$5,000. We think we'll have \$5,000 in sponsorship fulfillment. In this case, a VIP reception for sponsor (~\$3,000). Additional awards and signage for another sponsorship to enhance the look and feel of event. All numbers here are estimates.

Question: We're projecting a \$72,000 loss?

Answer: Yes.

Question: That includes the \$15,000 from sponsorships?

Answer: Yes. We were budgeted to lose \$100,000. We will have a positive variance, but it certainly costs us money to hold the event. We are still hoping for a third sponsor to further improve the situation, but are not currently counting on that.

I put money into the 2012-13 draft budget for a marketing director to do marketing in-house. Perhaps it would be better to find a firm who does this for other sports and hire the firm. Pay a retainer and commission.

V. Finance and Budget (Sunil Sabharwal)

Financial Reports

Mr. Sabharwal was unavailable.

Motion (Mr. Sabharwal): To receive the Budget Report as submitted to the Board.

Second: Mr. Herr

Mr. Dilworth noted he had received a large set of questions from Mr. Baker. Answers to all of the questions are not available currently but will be sent out to the Board tomorrow.

[Secretary's Note: A report of further discussion of the submitted questions is available in Appendix I]

Motion passed.

Contract Approval

Motion (Mr. Sabharwal): To approve the Official Tournament Equipment Provider Agreement with Absolute Fencing Gear. [Contract distributed separately]

Second: Mr. Salmon

Absolute Fencing Gear was chosen in a competitive bid process. We have worked to finalize the contract. The deal is really quite good and provides significant benefit to both parties. It provides more benefits at lower cost than our previous contract. Selecting Absolute is not a negative reflection on Blue Gauntlet. We have been quite satisfied with them. We are confident that this contract will serve us well over next four years. We asked for more and Absolute agreed to give us more.

Concerns were raised with item regarding choice of shipper.

Response: Will go back to modify the contract to use our shipper.

Concern was noted that shipping might be from China.

Comment: Would like executive summary of high points of future contracts, specifically including benefits and obligations.

Comment: Would like summary of why this is a better contract

Response: Happy to do that. Proposals we received were based on RFP. The Equipment Technology Committee and staff vetted the RFP.

Motion passed.

Motion (Mr. Sabharwal): To approve sponsorship contracts for the Chicago World Cup. [Contracts distributed separately]

[No contracts were available for review]

VI. International Update (Sunil Sabharwal)

Mr. Sabharwal was not available.

VII. Legal Update (Donald Alperstein)

Mr. Alperstein provided a summary of items that he had worked on since the last Board meeting.

The short-term loan from a Board member was made, the money used, and the loan repaid. The note should be marked paid in full and returned.

There was a problem with a breach of the affirmation Board candidates required to sign. It had to be dealt with and has been taken care of.

RailStation agreement

Absolute agreement

World cup sponsorship agreement formats

Follow up with a fencer dispute asked to work with mediator. More details in Executive Session.

Preparing for THS mediation next week.

Prepared and submitted confidential mediation statement

Hoping for resolution, otherwise litigation

VoteNet agreement

Work with Election Committee.

Candidate complaints
Inquires into access to membership lists
Inquiries into email list of members
Candidates purchasing an email blast
Revision of post-background check policy
Executive employment issues

VIII. Committee and Task Force Matters

Committee Reports

Audit Committee (David Herr)

[Audit Committee report is included as Appendix B.

USA Fencing's response to the USOC Report on United States Fencing Association Grant Years 2010-2011 is included as Appendix C.

The USOC Report on United States Fencing Association Grant Years 2010-2011 is included as a separate attachment.]

Mr. Herr was available for questions.

Comment: Between the USOC report and Audit Committee report, it seems we haven't done a good job of having financial controls. How does committee feel?

Response: We have discussed the matter at length and had a number of reactions to USOC report. The committee acknowledged that much of what was in report is not news to us. We've known about the deficit and have had discussions on the topic for years. The USOC used the word "dire." That's a good adjective. It is consistent with what most Board members feel. We're taking actions to correct the situation.

The 2008 USOC audit identified numerous areas of concern. Most have been addressed and removed from the 2012 report. We're glad to see that and we think the USOC is pleased to see the improvements. They uncovered relatively minor things, such as income for one contractor.

Comment (interrupting): [A variety of quotes taken from the USOC audit report] Shouldn't these be commented on?

Response: We've sent the report to our auditors. Most are items our auditor has not identified as issues.

Comment: Are you talking to our auditors? The USOC thinks this is serious. We need to take it seriously. We're at risk for decertification.

Response: I disagree that we're not taking this seriously. We're taking it very seriously. No one at the USOC has suggested decertification is in any way on their mind. There are significantly fewer things they're concerned about. One item identified a problem in their accounting. We will ask our auditors to comment on all of these items. Most are already corrected or being corrected. The Conflict of Interest policy is one example.

Discussion needed of what's required for a Conflict of Interest policy.

It will be addressed in Anaheim. Policy is expected to be done by the Annual meeting. A framework will be in place after July.

Comment [GD]: Each year our auditors have provided us with several suggestions to improve our internal controls. This year that did not happen because we have fixed all identified items. The USOC has a slightly different take. We're addressing the USOC report with our auditors. Likely this will require some adjustments to our policies. The first step is getting this audit to identify corrections from the USOC. Then it's a matter of process.

Comment [DH]: Or we could decide we disagree and our system is appropriate.

Election Committee (Jeff Salmon)

Gerrie Baumgart provided an oral report.

644 votes have been cast so far. 27 today. From 8,276 total voters, we have 7.8% turnout so far. The voting cutoff is June 1. The time frame allows for run-off elections if necessary.

Question: Was the Felicia issue resolved?

Answer: Yes.

Suggestion: In future years we should allow abstentions from some races.

Response: Yes, that request has been received. Also requests for write-in availability, which is not possible under our current system.

The idea could be addressed in the future. The ballot was set up the same way this year as last.

National Team Oversight Committee

[National Team Oversight Committee Report is included as Appendix D]

Search Task Force (Kalle Weeks): The job posting has been finalized. We are currently receiving resumes. Resumes are being evaluated by SportsSearch staff. Once that is complete, they will be forwarded to the task force to produce a short list. We are proceeding quickly. There is currently no firm date for short list availability.

Motion (Mr. Baker): To receive committee reports, as submitted to the Board.

Second: Mr. Becker

Motion passed.

IX. Discussion of Budget Priorities

Introductory comments were given by Ms. Weeks:

Tonight we are looking for a high-level conversation. Tonight's goal is to provide guidance to put together the 2012-13 budget. Guidance towards a bottom line goal and what should stay and what should go, with a focus on big items: what needs to be shaved, enhanced, or removed.

Further introductory comments were provided by Mr. Dilworth:

Essentially what was distributed is a baseline budget. There are many choices to be made. Last year the Board wanted to be involved at early stage to make choices.

Highlights of changes in the draft budget:

Membership reflects estimates based on new membership categories. It's a rough guess, given the large changes. We have tried to be conservative in both revenues and expenses.

Staffing involves Kris Ekeren, taking 1.5 current people and expanding to 2. We will need a temporary person for early in the season. 20% of Kris's salary has moved into development and fund raising as well as hiring full time development person. Getting fund raising going will take a while and likely not be revenue positive the first year.

Executive Director: Made an assumption on salary for new ED and competition manager.

Administrative: no change

Volunteer Admin: Moves in a better direction without hosting the FIE Congress.

National events: Perhaps overly conservative. Same staff as currently in place.

Communications/Media Marketing: There is an extra staff member for non-endemic sponsorship acquisition.

Summer Programs: Not currently detailed.

International: Staff salaries assume High Performance Director hired, retain International Performance Manager, Jim Page will remain with us for a few months in transition through October.

Referees to world cup indicates new structure based on the NTOC meeting.

For Junior/Cadet Worlds, we don't yet have a location. The Estimate based on past experience.

Olympic budget.

PanAm Zonals and senior world cup based on past.

Direct athlete support (\$100k). Current rankings are very very good. If maintained, we will need to repay to the USOC ~\$100k.

Wheelchair and weapon squads have break-even budgeting based on assumptions of USOC funding.

To maintain goal of total net deficit of \$300k, we need the bottom line number to be ~\$700k. The Board needs to determine if that is still the desired goal as well as how much should be contributed to international programs. Next the Board needs to discuss if adding two employees is a prudent idea.

Comment: One year budgets, in light of our position, are not a good tool. We need to use a rolling 48-month budget, including cash flow. Separate international from domestic and prioritize spending in both categories. This is not for the Office to do, it is our job. We need to decide how much we set aside each year to support international. We cannot continue to put the USFA at risk to support international. Winning medals good, but not at expense of organization.

Comment: We should renew our commitment to come up with budget that meets earlier targets. We need to muster the political will to make hard decisions.

Comment: You said we need bottom line of \$700k.

Comment: Possible to make more from national events.

Question: Why are expenses for National events rising so much from this year?

Answer: This is an early draft. As we make decisions regarding hotel rooms, etc., we could cut costs. There could and should be discussions with TC Chair and FOC Chair regarding assumptions on numbers of officials. We could improve by as much as \$200,000 in this area as more information is obtained. We could also consider raising fees.

Discussion of looking into a single city for national events.

Discussion of the possibility of a national event sub-board, and high performance oriented sub-board. The overall board would set large picture goals for each sub board; the sub boards would be charged with accomplishing Board-set missions.

Question: Do we want to stay with our goal to accomplish significant savings for next year?

General consensus.

Discussion of areas to accomplish that.

Rework national events numbers.

Question: What is the Office staff total?

Answer: \$1,054,000 fully loaded. 16 staff members.

Question: Is there room for reduction in staff?

Answer: The current budget provides for an increase of two and a half people. One in fund raising/development, one in marketing, and half a FTE in membership. It's possible we could better use the marketing dollars to hire an outside firm. We have tried that before (Circone & Associates). Adding a fund raising/development person is negative next year, but beneficial long term.

Question: With membership dropping, you think we should increase staff?

Answer: We're going to increase numbers.

Discussion of how numbers are up but total money down.

Question reiterated: The same amount from membership, but increased labor costs? With better management, we could tighten belts in office. Do less travel. Do more than one job. Why is an increase in staff included in this budget?

We could also outsource office tasks. There are too many people now. Increasing headcount is

not in our best interest. We could get things done by outsourcing or sharing with other NGBs.

Question: Where are we closest to overstaffed? If Board asked for two FTEs to be cut, where would they come with least heartburn for organization?

Answer: The first two would be the added positions. The next two would be to find areas that could be outsourced. I don't see things right now we could outsource. We could have an off-line conversation about that area. If that's not an option, then it becomes finding areas we cannot do tasks we currently do. There is no opportunity to decide "just work harder" or "do more."

Comment: We should be focused on elite performance. We should put our money towards that goal. Whatever money we can get should go to that target. That's why we exist.

Response: We have a variety of goals. We cannot select just one and sacrifice all others for just a single priority.

Comment: This should go to the Budget Committee. We need to go for a realistic number, not necessarily \$300,000.

Response: We have shown year 1 is the year we can make big cuts. This is the year to do that.

Counter: We can't cut our way out of our deficit. We need to identify new sources of revenue.

Question: Greg, do you need more guidance?

Answer: I think the next discussion is with the Budget Committee and come back to the group with results. Anyone else interested in having one-on-one discussion, I would be very much interested in talking to everyone.

X. Old Business

Discussion of Post-Background Search Policy (To be distributed separately)

It was requested that all comments be sent to Ms. Weeks, Mr. Alperstein, and Mr. Wood.

Motion (Mr. Sabharwal on behalf of the APTF): The pre-screening questionnaire in Appendix E is adopted as a standard for the National Office in its interviews of staff and will be made available to clubs as a minimum standard to satisfy the obligations of Member clubs.

Second: Mr. Herr

This motion was tabled during the meeting on April 26, 2012.

The Athlete Protection Task Force has requested that the motion be further tabled to the Board meeting in June.

Motion(Mr. Clements): To table motion to next meeting.

Second: Mr. Becker

Motion passed.

Motion (Mr. Sabharwal on behalf of the APTF): To adopt the Non-Fencer Code of Conduct in Appendix F, effective May 1, 2012.

Second: Mr. Herr

This motion was tabled during the meeting on April 26, 2012.

The Athlete Protection Task Force has requested that the motion be further tabled to the Board meeting in June.

Motion(Mr. Clements): To table motion to next meeting

Second: Mr. Becker

Motion passed.

Motion (Mr. Sabharwal on behalf of the APTF): To adopt the APTF USFA Policy on Massages in Appendix G, effective May 1, 2012.

Second: Mr. Herr

This motion was tabled during the meeting on April 26, 2012.

The Athlete Protection Task Force has requested that the motion be further tabled to the Board meeting in June.

Motion(Mr. Clements): To table motion to next meeting

Second: Mr. Becker

Motion passed.

Mr. Sobel has indicated a willingness to bring to USFF a request for allocation to recognize monetarily the outstanding performance of MET and WST in Kiev.

Motion(Mr. Blake): To consider the topic of requesting such an allocation from the USFF.

Second: Mr. Glon

Motion passed with a majority of directors in office voting affirmatively.

Motion(Mr. Becker): To request of the United States Fencing Foundation an allocation to recognize monetarily the outstanding performance of the Men's Epee Team and Women's Sabre Team at the 2012 World Championships in Kiev.

Second: Mr. Blake

Motion passed. Mr. Thompson abstained.

XI. Good and Welfare

The in-person Board meeting in Anaheim will take place on July 4. All members present are encouraged to attend the Hall of Fame reception the preceding Saturday.

Bylaw change topic from Mr. Blake:

The Budget Committee has three voting members. When confidence in any one individual comes into question, the committee loses credibility. Mr. Blake put forward a recommendation to add two voting members, specifically finance/money people. Details will be made available as the language gets drafted. It is too late to put forward as a Bylaws amendment for July, but it could be discussed then and voted upon in September.

A reminder was provided of the mandate for standing and additional principal committees to submit written reports for the July meeting not later than June 20.

XII. Executive Session to consider personnel, litigation, disciplinary and membership matters

XIII. Adjournment

Motion (Mr. Baker): To adjourn the meeting.

Second: Mr. Becker

Motion passed.

Appendix A Executive Director's Report

Finances

General Comments:

Line Item Information:

Line 16: Information from the co-chairs of the search committee indicates that \$10,000 of the total \$25,000 expense will actually occur in the 2012/2013 budget year rather than in the 2011/2012 fiscal year.

Line 84: The current expenses for the Pan American Zonal Championships are projected to be under those budgeted. We are currently projecting a positive variance.

Line 86: Both revenues and expenses here have increased substantially as we get closer to the event. Among those revenues is an anticipated \$35,000 in sponsorships from two different sources. We anticipate about \$20,000 of expense to compensate the agent who helped secure these sponsorships and to fulfill the requirements of them netting a positive \$15,000 for the event. A third potential sponsor may be secured in the next 10 days. Expected revenues from the event are also higher than projected earlier. Total expenses to run the event, not counting sponsorship fulfillment are currently \$130,303.

Line 87: This line has moved significantly into a positive variance. As discussed last year, this line shows expenses related to the games PRIOR to opening ceremonies. These are now anticipated to be \$110,350 (see the separate Olympic Budget 2012 spreadsheet). Expenses from opening ceremonies forward are anticipated to be \$124,790 and will show up in the 2012/2013 budget.

Membership:

Member Services Update: The 2012-13 Membership data has been released to clubs and individuals with information distributed through the following channels:

- USA fencing website
- Specific email to club owners/contact
- Information in general member e-blasts
- Information in general club newsletter

Questions are typically asked in three general areas: how the new memberships are going to be processed, existing insurance coverage, and options if clubs should choose to pursue their own insurance. Feedback has varied greatly from club owners who think the USA Fencing requirement is a good idea to those who are concerned that the costs will cause their club to change programming and operations. Most club owners that we have communicated with fall in the middle of the spectrum. While they wish the current policy didn't have to change, they understand the need for the individual member coverage to reduce policy costs and claims.

On the membership types, most people are very pleased with the non-competitive \$5 option for beginning and recreational fencers. I have received comments on the discontinuation of one-day memberships, as some divisions feel the loss of this membership will negatively affect their introductory tournaments and those fencers who don't aspire to compete at the National level. Staff is open to working on a better way to administer the one day memberships for local events if the Board would like us to pursue options.

The 2012-13 membership form is ready for distribution and will be posted when the database has been updated. We will process the memberships as soon as we receive them, which will give an extended membership period through July 31, 2013 to brand new members per our bylaws. Membership reports will begin to reflect the new membership types immediately.

Finally, our insurance policy has been sent out for bids by our insurance broker. The broker is working diligently on the process, so that we will have alternative options available to clubs. We will keep the Board updated on the progress.

Membership numbers

Below you will find our current membership as of April 30 as compared to March 31.

Membership Type	30-Apr	31-Mar
Club	568	562
Commercial	10	10
Competitive	17,898	17,337
Life	521	520
Life w/installment	107	107
Olympian Life	88	88
Paralympian	13	13
Professional	415	443
Supporting	369	388
Total	19,989	19,468
One Day (in the month)	156	152

We continue to lag in membership. We are under by 983 members at the end of April vs. 2011.

The drop in membership for Professional reflects individuals who, after several attempts, have not completed their background screening. These individuals were converted to Competitive memberships.

Events

Coaches Institute

Please see the enclosed note from Jim Page.

Chicago World Cup

We continue to work on the Chicago World Cup with Sam Cheris, bout committee chair J.R. Bourne, Tanya Brown and others both on the staff and in our volunteer community to make sure that the event is as successful as possible. Working with Chicago Sports and Entertainment Partners we are close to closing a couple of sponsorships. If these are completed prior to the Board meeting I will forward them over.

Marketing and Communications

Many of the functionality problems with the website have been fixed. We continue to finalize the transition plans. Our current target is to go live the first full week of June.

International:

Olympic Games

Kalle Weeks has invited Bob Largman and Jim Page to present on this at the Board meeting.

Pan Am Youth (2012 Youth/Cadet International Fencing Festival in Cancun)

This event will occur during Memorial Day weekend. We have a full contingent attending and have confidence that they will do very well. Thanks again to Nancy Anderson for spearheading this effort.

Executive Director Transition:

After lots of thought, I have decided to not pursue the permanent Executive Director position. There are some considerations about overlapping tenures between me and the new ED as well as issues regarding credit for the association that will need to be addressed because of this.

Appendix B Audit Committee Minutes and Report

The Audit Committee was asked by the Executive Director to review an audit report received from the United States Olympic Committee (“USOC”) relating to USOC’s audit of USA Fencing’ with respect to the application of grant support provide by USOC. The USOC Audit Report covers the period from 2008 to the present, focusing on grant years 2010-2011.

On Friday, May 11, 2012, the Audit Committee conferred by telephone conference call with the Executive Director and reviewed both the USOC’s April 25, 2012, Report on the USOC audit and a draft response to the USOC prepared by the Executive Director. The committee discussed numerous aspects of the USOC audit and shared its concern about the “dire” conditions of USA Fencing’s finances. The committee also noted the progress that has been made in some areas towards improving the accounting system and reports and in reducing the deficit.

The committee was concerned that USA Fencing not make undertakings to USOC with respect to future financial performance, and recommended modification of the draft response. The language in the attached response is specifically accurate in reporting the Board’s prior decision and plan. It is important that the Board follow through on its resolutions of fiscal discipline to reduce the budget. Similarly, it is important that the Board move forward to adopt a formal conflict of interest policy and code of ethics. As noted to the USOC, this process is underway.

In addition to authorizing the USA Fencing response to the USOC Audit Report, the committee resolved to take several actions internally to USOC.

First, the committee will share the USOC Audit Report and the USA Fencing response with the USA Fencing auditors and ask our auditors to address the issues raised by the USOC in the next USA Fencing audit. We expect that audit process will begin in August with preliminary a meeting with the USA Fencing auditors.

Second, the Audit Committee believes this audit raises in unmistakable terms the importance that the Board follows through on its earlier resolutions to make a substantial reduction of our current deficit in the coming budget and in later years. The committee did not address the means of accomplishing those changes, deferring to the Finance Committee and Board on those questions, but the importance of getting to a budget with a cash reserve rather than a deficit.

Third, the Audit Committee directed the Executive Director to explore the availability of support from the firm handling USA Fencing’s payroll in other aspects of payroll administration, including ensuring that proper IRS reports are prepared to cover compensation of personnel. This compliance is an important to USA Fencing.

The USOC Audit Report and the USA Fencing response are attached to these Minutes.

USA FENCING AUDIT COMMITTEE

David Herr, Chair

Jay Strass

Felicia Zimmerman

Appendix C

USA Fencing Response to USOC Report on United States Fencing Association Grant Years 2010-2011

May 10, 2012

Debra Yoshimura
Managing Director, Audit
United States Olympic Committee
1 Olympic Plaza
Colorado Springs, CO 90909

Dear Debra,

Below you will find USA Fencing's response to the Report on United States Fencing Association for Grant Years 2010-2011 dated April 25, 2012. We appreciate the USOC's diligence, attention to detail and cooperation during the preparation of this report and look forward to working with the USOC, specifically our Sport Performance Partners and the USOC Audit Division in continuing to improve the financial health and operational performance of USA Fencing.

Financial: USA Fencing does not dispute that its financial report is dire. The origin of this financial position lies in significant losses from the 2007 and 2008 fiscal years when losses totaled approximately \$1.7MM overall. The report further acknowledges that fencing's financial position has improved from that period. Finally, a note is made that USA Fencing had a loss last fiscal year and that we have an essentially \$0 budget for 2011/12.

Again, USA Fencing acknowledges all of these as true. However, the report does not note that USA Fencing has followed its plan for the past three years and continues to be on pace with its plan this year. At the beginning of this quadrennial, and understanding the dire financial position, the Board of Directors determined that it would be appropriate for fencing to save as much as possible over the first two years of the quad and to then spend in the pre-Olympic and Olympic years in order to put our athletes in the best possible position to attain success at the Olympic Games. This plan has been followed. Further, the Board of Directors has put in place a plan to continue our financial resurgence at the beginning of the next quadrennial. Specifically, the Board of Directors, 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 substantial surplus to reduce the deficit.

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. USA Fencing would be happy to provide these budgets to the USOC so that they may continue to monitor fencing's financial health and to see that we are, in fact, making progress to repair our position.

Managerial: USA Fencing has recently had several conversations with its USOC Sport Performance Partners and has provided a report on our succession plans for Executive Director and High Performance Director to the USOC. These are attached. After these discussions, it was agreed that USA Fencing will update this

information in the 2012 High Performance Plan that will be prepared in the early autumn and presented to the USOC no later than October 1.

Reallocations: USA Fencing acknowledges that it has been late the past two years in requesting reallocations. We believe that in the 2012 PPA we have, in partnership with USOC Sport Performance, mapped anticipated expenditures to the payments carefully and that, therefore, few reallocations will be requested. If reallocations are necessary we will make sure to make those requests well in advance of the end of the calendar year.

Other revenue: This was a mistake on our part and we will be sure to not repeat the error. Having been through this process and understanding the issues our finance team will now be able to properly report the information to the USOC.

2008 International Relations Grant: As acknowledged in the report, neither USA Fencing nor the USOC was aware of this situation until the audit. We have recently received the invoice from the USOC with regards to this item. With that invoice in hand, we will discuss repayment with the IR division of the USOC over the next several weeks.

Internal Controls: 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. We would welcome the input of the USOC's Audit Division as we make these adjustments.

Conflict of Interest and Code of Ethics: USA Fencing had already identified this as a weakness and is in the process of adopting a Code of Ethics and requiring annual disclosures. We anticipate that these will both be adopted at a USA Fencing Board of Directors meeting in early July. As we get drafts of these policies we would welcome the input of the USOC's Audit Division to ensure that we are complying with both the letter and the spirit of this recommendation.

Contracts: USA Fencing agrees that contracts with coaches should be modified when changes occur and will make sure to do so in the future.

IRS Reporting: We will consult with some tax professionals to ensure that we meet all the requirements of reporting income for non-resident aliens appropriately to the IRS. If we need to go back and do some remedial reporting we will do so.

Should additional questions arise as a result of this response we are happy to address them. Again, thank you for your recommendations and assistance. We look forward to a productive relationship with the USOC for many years to come.

Sincerely,

R. Greg Dilworth
USA Fencing Executive Director

Appendix D National Team Oversight Committee

The NTOC has not had a meeting since our last meeting in Virginia Beach on April 14th. However, the committee is planning to have a meeting in Newark, NJ on the weekend of June 2-3. The following topics will be discussed:

1. Number of entries at Cadet World Cups – budget issues.
2. Guidelines for responsibilities for “designated” team coach at World Cups.
3. Coaching policy – when two Americans fence each other at international tournaments.
4. World University Games – status for funding and for wording in Athlete’s Handbook.
5. Overview of High Performance Budget for 2012-13 – in relation to USFA-USOC’s four-year performance program plan.
6. Division I Domestic Formats for Next Season.
7. National Coach Structure.
8. High Performance Structure.
9. Development of ‘conflicts of interest’ policy for coaches, squad managers, parents.

In addition, Jim Page will be providing a report on weapon squad budgets, Zonal Championships, and issues pertaining to the Olympics.

Appendix E Pre-Screening Questionnaire

Utilizing a Pre-screening Questionnaire as part of the Background Check Process

A good proportion of non-violent criminals often demonstrate excellent social engineering and deceiving skills. They utilize these skills in many aspects of their trade that span from gaining trust and confidence from their intended victims, gaining access to whatever is they are after, concealing their actions, and even justifying and defending their actions in the event of confrontation.

They are often very good liars and have the ability to substantiate their claims about themselves. This is the result of careful thinking and even rehearsing. Since they usually have a history of participating in the type of activities they conceal, they become proficient at telling their story to the point that even trained interviewers have difficulty identifying potential red flags.

While developing a tool to screen potential instructors for a national aquatic education program, a group of program coordinators developed a tool to pre-screen adult leader candidates before they were allowed to work directly with the public. After various processes were implemented, an evaluation revealed that the pre-screening phase was the most successful tool in identifying potential problem individuals.

The pre-screening process involved a short questionnaire and a short interview. The purpose of the pre-screening process was to advise the applicants that background check was part of the application process and that we would compare the questionnaire with background check results for inconsistencies. The questionnaire included questions such as:

1. Have you ever been convicted of any crime against children or other persons? Yes No
2. Have you ever been accused of any crime against children of other persons? Yes No
3. Have you ever been found in any dependency action to have sexually assaulted or exploited any minor or to have physically abused any minor? Yes No
4. Have you ever been found by any court in a domestic relations proceeding to have sexually assaulted or exploited any minor, or to have physically abused any minor? Yes No
5. Have you ever been convicted of the possession, use, or sale of illegal drugs or other controlled substances within the last seven (7) years? Yes No
6. Within the past 30 days, have you abused alcohol, legal or illegal drugs? Yes No
7. Please to disclose any other convictions or pending charges at this time, including driving charges other than minor traffic infractions? Yes No
8. Have you ever been subjected to a background check? Yes No
9. Are you aware of anything that may turn up in the background check that may disqualify you from participating in the capacity for which you are being considered? Yes No

This is usually followed by a statement like:

I hereby certify that the above answers are true and accurate. I understand that any misleading, false or inaccurate information may be cause for immediate disqualification from participating in activities (fill this blank with whatever activities are relevant) I further understand that "yes" answers will be evaluated on a case-by-case basis and will not necessarily disqualify me from (whatever ...)

Signed _____ Date _____

Printed Name _____

We strongly believe in pre-screening, especially when done in conjunction with a thorough background check and interviews. We suggest we consider this as part of the process of recruiting and appointing coaches, trainers, and other personnel that can potentially be in direct contact with our athletes. Further, we strongly suggest we implement a policy in which club owners and club coaches submit themselves to answering a questionnaire in conjunction with their application process to obtain liability insurance and register their clubs.

Appendix F
Non-Fencer Code of Conduct

NON-FENCER CODE OF CONDUCT

The following rules of conduct will be strictly applied to all USA Fencing personnel including, but not limited to, members of the cadre at any international or domestic World Cup, World Championship, Pan American Games, World University Games, Youth Olympics, Olympic Games, or Paralympic Games competition, camp or other fencing activity. Any failure to adhere to this code of conduct may result in disciplinary action.

The following shall be considered violations of the USA Fencing Code of Conduct for Non-Fencing personnel:

- Violation of the Amateur Sports Act, which requires that USA Fencing must provide an equal opportunity to amateur fencers, coaches, trainers, administrators and officials to participate in amateur athletic competition without discrimination on the basis of race, color, religion, age, sex or national origin.
- Conviction of, imposition of a deferred sentence for, or any plea of guilty or no contest at any time, past or present, or the existence of any pending charges for any felony, any offense involving use, possession, distribution or intent to distribute illegal drugs or substances or any crime involving assault or sexual assault.
- Any inappropriate sexual contact or advance or any other inappropriate sexually oriented behavior or action directed towards a fencer by a cadre member, including violation of any sexual misconduct or harassment policy of USA Fencing that may be in effect.
- The sale or distribution of illegal drugs or the illegal sale or distribution of any substance on the World Anti-Doping Agency's (WADA) recognized list of banned substances.¹
- The illegal possession or use of illegal drugs in the presence of a fencer by a cadre member.
- Engaging in any activity that contravenes the stricter of the laws of the United States of America (USA) or the host country in which the activity is taking place.
- Providing alcohol to a fencer by a cadre member when the fencer is under the legal age and therefore prohibited from purchasing or consuming alcohol.
- The act or the appearance of intoxication from the use of alcohol or illegal drugs in the presence of a fencer or cadre member.
- Any non-consensual physical contact with or abuse (including verbal abuse) of any person by a cadre member.

¹ The United States Anti-Doping Agency (USADA) adheres to WADA guidelines. USADA at www.usantidoping.org, drug reference number: (national: 800-233-0393), (international: 719-785-2020)

- Any intentional act of dishonesty in connection with any USA Fencing-related activity.
- Any non-consensual physical contact, obscene language or gesture or other threatening language or conduct directed toward any official, which is related to any decision made by such official in conjunction with a USA Fencing-related event.
- Violation of any team rule of conduct as established by the United State Olympic Committee (USOC), USA Fencing, the Federation International d’Escrime (FIE), or person in authority leading an international team, including but not limited to department, curfew, practice, team meeting attendance, and prompt attendance at competitions.
- Any other act, conduct or omission not provided in this code which is detrimental to the image or reputation of USA Fencing, the USA or sport of fencing, or which violates a rule established by the USOC, FIE, International Olympic Committee (IOC) or other governing body.

All members of any traveling party including personal coaches are expected to adhere to and reinforce the rules and regulations listed above.

AFFIRMATION

I have read and accept this Code of Conduct, including the USFA Grievance Procedure contained in the USFA Athlete Handbook. I agree to the rules, guidelines, jurisdiction and procedures stated in this document as a condition of being authorized to participate as a member of the cadre or to coach any USA Fencing athletes at any international or domestic World Cup, World Championship, Pan American Games, World University Games, Youth Olympics, Olympic Games, or Paralympic Games competition, camp, or other fencing activity.

Signature

Date

Appendix G Policy on Massage

USA Fencing Policy on Massage

Introduction:

Massage is an important injury prevention and rehabilitation therapy that is used extensively with athletes. However, the application of massage can also create an opportunity for exploitation and abuse as the athlete receiving the massage may not be fully dressed during the treatment and the massage may involve touching sensitive areas of the body including the buttocks, upper thighs and chest. This is of particular concern if the athlete is a minor. As protection of athletes is the primary concern of USA Fencing, implementation of a policy on massage will diminish the possibility of any unethical and/or unprofessional behavior by those assigned by USA Fencing to provide massage to its members in specifically sanctioned circumstances, including, but not limited to, World Cup, Zonal and World Championships teams and any USA Fencing-sponsored training camps and housing. Additionally, as the massage therapy provider may be regarded as representing the organization in these situations, any liability associated with misconduct by the provider may extend to the USA Fencing as well. Finally, a policy is necessary to protect the massage provider from unfounded claims of misconduct.

Recognizing this, in 2003 USFA President Stacey Johnson appointed a Task Force consisting of Donald Alperstein, Irwin Bernstein, and Steve Sobel to develop a USFA policy. In 2010, USFA President Kalle Weeks appointed an Athlete Protection Task Force (APTF) consisting of Steve Sobel (Chairman), Hector Cruz Lopez, Dale Roberts, Felicia Zimmermann, Bill Shipman, Juliet Smith, Renato Pascual, Kris Ekeren, Megan Kates and Jim Page (USFA Staff Liaison) to review the general subject of providing a safe environment for athletes in fencing. The APTF has reviewed the work of the USOC, and other NGBs in various areas of potential abuse, and the role of NGBs in general. Reviewing various issues related to the use of massage in sport, the APTF determined that any policy must have the following priority goals:

- a) protect the athletes, especially minors,
- b) protect the organization, and
- c) protect USA Fencing Sports Medicine staff and personnel assigned to athlete healthcare.

Moreover, the policy must have the following characteristics:

- a) be appropriate and rational
- b) be implementable,
- c) account for the varied circumstances in which massage may be legitimately utilized with USA Fencing athletes, and
- d) contain a mechanism for reporting and adjudicating instances of misconduct.

As noted previously, the policy will be applicable to all USA Fencing-sponsored teams (World Cups, World Championships, Zonal events, etc) as well as US Fencing-sponsored training camps housing.

The APTF proposes that the policy detailed below be adopted by the Board of Directors.

US Fencing Policy on Massage:

1. Only USA Fencing members who hold an appropriate certification as a healthcare provider (MD, DO, DC, certified athletic trainer (ATC), physical or occupational therapist, or massage therapist (LMT, CMT)) and who are appointed by US Fencing to a team or sponsored event in an official capacity as a healthcare provider can provide massage therapy to team members.
2. Athletes who are minors must have a signed consent form, release or waiver of liability from his/her parents to be eligible for massage therapy services from the designated USA Fencing staff. The appropriate form will be provided to all athletes in settings covered by this policy by USA Fencing prior to the beginning of the covered trip, competition or camp. Any USA Fencing member who engages in massage of a minor in violation of this policy shall be deemed acting in a manner detrimental to the welfare, interests or character

of the USA Fencing and shall be subject to disciplinary action that can result in suspension, expulsion or denial of membership.

3. Under no circumstances will an athlete be required to be nude to receive massage services from the designated staff. At a minimum, all athletes will wear shorts and females will additionally wear a sports bra, bra or top. In all cases, the athlete will also be appropriately draped during the massage.
4. Although the USA Fencing has no authority over private activities involving USA Fencing members in private settings, it nevertheless recommends due diligence by all members of USA Fencing to avoid unprofessional conduct, exploitation or abuse involving massage. Any USA Fencing member who in any setting provides massages in an illegal, unprofessional or otherwise improper manner is subject to USA Fencing discipline.
5. Nothing in this policy is meant to prohibit ad hoc massage of athletes in exigent circumstances by others (for example a coach or teammate) in a public setting when the personnel designated in Section 1 are not immediately available (this situation would generally involve massage of the extremities due to cramping during a bout).
6. USA Fencing will maintain a reporting and adjudication system and will mandate case reporting to the Athlete Protection Officer (APO) who will oversee and coordinate investigations of all instances reported by members of USA Fencing who believe they have been subject to misconduct in regards to receiving massage or who are aware of cases that contravene this policy. Details of the reporting system and the designated APO will be provided to USA Fencing members prior to any event covered by this policy. Additionally, this information will be available on the USA Fencing website.

Appendix H
Roles and Responsibilities/Job description for USFA London Olympic Staff

US Fencing Olympic Management Team

Bob Largman	Team Leader	Village and USOC Liaison / Delegation Lead
Francisco Martin	Team Captain	FIE interface and Games Issues
Courtney Kulick	UEL Docklands Manager	Liaison to USOC at Docklands
J.R. Bourne	Friends and Family Mgr. and Friends	Liaison to Lutus Tours and Family
Greg Dilworth	Executive Director	Sponsor Liaison / Point of Escalation

Staff Roles and Responsibilities

Bob Largman – Team Leader

USA Fencing Games Operation Leader
Organize and coordinate activities with UEL-Docklands Manager
Hold regular staff (coaches and cadre) meetings to clarify roles and assignments
Conduct daily operations meetings with all support staff to organize activities, communicate schedules, address issues, plans for Team support
Work with Docklands Manager and coaches to develop training schedules
Manage Credential and Housing issues
Manage replacement athlete policy
Keep an eye on athletes and coaches to keep them focused and positive in the Village
Manage team with regard to Code of Conduct
Liaison to LOCOG Venue and Sports Manager
Keep Team apprised of all pertinent activities, schedules and develop a daily schedule
Point of contact for in-coming requests, calls from the “outside” (i.e. media, family, friends)
Point of contact with LOCOG Fencing Sports Desk
Serve as escalation point to deal with team issues – step in proactively to handle problems
Point of contact for all pre and post Games activities (i.e. media events, White house visit, etc.)
Write post games review and report
Conduct Lessons learned sessions.

Francisco Martin – Team Captain/FIE Interface

Liaison with FIE for Fencing Competition Issues
Manage participation in technical meetings and relay information to athletes and coaches
Participate in all Team Meetings
Acquire and distribute competition and venue information to coaches
Figure out referee issues for the Games and alert teams
Assist Coaches during competition as possible in the Olympic environment
Keep an eye on athletes and coaches to keep them focused and positive during training and competition
Support Team Leader as needed
Serve as key contact with referees, NF Fencing leaders and FIE outside the field of play to actively and proactively represent the interests of USA Fencing

Courtney Kulick - Docklands Manager

Maintain and manage US Fencing Office at UEL-Docklands
Manage any uniform issues with USA Fencing sponsors
Coordinate transportation issues for UEL-Docklands
Participate in daily meetings with USA Fencing Olympic Management Team
Coordinate all training activities at UEL-Docklands – Work with Olympic Coaches and Team Leader to schedule training
In coordination with the Team Leader, manage any USOC uniform and apparel issues
Coordinate any participation in training at UEL-Docklands by international athletes.
Liaison with USOC UEL-Docklands staff.
Manage requests for services with USOC Performance Services Staff
Coordination of video capture for any teams requesting that service.
Single point of contact for resolving any issues at UEL-Docklands

J.R. Bourne Friends and Family Manager

Coordinate Ludus Tours program with USA Fencing
Manage US Fencing Ticket allocation for Delegation
One stop problem solving service for friends and family issues
Run Friends and Family Lounge and US Fencing Ticket Distribution Center
Help control and maintain communications with the Olympic Delegation through proper channels.

Nicole Jomantas – Media Liaison

Manage media activities at the Games for USA Fencing
Participate as a member of the USOC Media team at the Games
Organize and handle media requests for USA Fencing leadership, athletes and coaches at the Games.
Educate, in so far as is practical, media seeking information on Fencing and on the USA Olympic Fencing Team
Run the Manager Victory Program
Work with Team Leader to develop post-Games recognition

Greg Dilworth USA Fencing Executive Director

Schedule Meeting of US Fencing Olympic Management Team
Manage calendar of social and hospitality functions to be sure USA Fencing is appropriately represented
Head of US Fencing Disciplinary panel
Manage US Fencing sponsor relations and issues
Liaison with USOC USA House

Appendix I Financial Questions from Mr. Baker

The following list of questions were submitted to Greg Dilworth during the lead up to the May 24, 2012 Board of Directors meeting. Answers (inlined in blue) are based upon notes taken during a subsequent phone conversation with Debbie Walsh (Finance Controller, USA Fencing) on May 30.

Ms. Walsh took a considerable amount of time walking me through each item and the associated financial reports. All of the topics I raised were addressed and my questions were answered in a thorough and professional manner.

I would like to thank Ms. Walsh for the time she took for this discussion. I greatly appreciate her efforts to help better my understanding of what goes into our reports and provide the answers below.

-Bradley Baker

Secretary, USA Fencing

Balance Sheet:

- There appears to be an error in the “Pass Thru” entry:

Total Other Current Liabilities is \$900,890.10.

$\$5,000.00 + \$703,137.81 + \$34,927.29 + \$85,825.00 + \$720,000.00 = \$1,548,890.10.$

Substituting \$72,000.00 for \$720,000.00 yields the \$900,890.10.

- What is "Pass Thru"? The March 31 figure for this entry was (\$7,000.00). The April 30 figure is \$720,000.00. [Presumably intended to be \$72,000, as indicated above]

If the general answer doesn't already make it obvious why it has swung \$79,000 (or \$727,000) in one month, please include additional information regarding what's happening with this item.

\$72,000 is the correct figure. \$720,000 was a typographic error.

“Pass Thru” is an account used to keep track of funds temporarily provided to employees or events that should have a zero balance. March's entry of (\$7,000.00) recorded an advance made to a staff member for expenses at Cadet/Junior World Championships in Moscow, which was subsequently cleared. April's entry of \$72,000 represents the short-term loan from a Board member to the Association approved during the Board meeting in March. The loan has since been repaid.

Financial Report:

- I reiterate my previous question about the components of lines 5 and 19 that has now been asked at least three times without answer:

In the description of expenses and revenues that you sent out prior to the March meeting, line 5 expenses are listed as "Athlete Accident, Commercial General Liability, Director and Officer Liability."

Line 19 expenses are listed as "... Insurance - General Liability, D&O, Media Liability"

Are we double counting or are the descriptions inaccurate? Or is there a way that the two quoted bits are talking about different things that I'm just not seeing?

General Liability and Director and Officer Liability insurance expenses are currently divided between Membership Services and General Administration areas as a result of the budget structure established by the prior CFO. Portions of each of these expenses are allocated to lines 5 & 19.

- Line 8 (Rebates to Divs/Secs) has projected expense of \$36,585.00. At \$3/person, that implies we expect to end the year with a bit over 12,000 members. We have ~19,000 even after excluding clubs, life members, Olympians and Paralympians. Is there a reason we expect not to have to pay rebates to some divisions or for some members?

More detail will be forthcoming shortly. 3-year memberships result in a rebate to divisions only in year 1, but not years 2 or 3, which accounts for at least some portion of the difference between number of individual members and number of members for whom rebates are recorded.

[Additional detail was later provided with a breakdown of members joining by quarter.]

- Line 9 (Operational/Administrative Fees) was running about 25% over budget last month (full year projections), but is only 3% over this month. What's changed to bring the item back into line so quickly?

An expense originally mistakenly recorded in this line in the March 31 report has since been shifted into the correct location. The resulting drop in apparent expense, while low in magnitude, helped bring this line close to budgeted amounts.

- Line 24 (BOD) revenue has a comment indicating Rader Consulting but without more detail. My best guess of how to interpret this is that we received a donation of services that is recorded as an expense elsewhere, balancing this revenue, similar to the way ViK air travel is handled. Is that what's happening? If possible, it would be nice to have special case situations detailed somewhere such that guessing isn't necessary. If my guess is off-base, can you help explain what is taking place?

Work with Rader Consulting on Board education was paid for in 2010-11. Subsequently, monies from the USOC to cover the expense were received in 2011-12. The USOC grant was recorded as revenue on the line item for the Board of Directors.

- Lines 63-65 (Summer Programs) should reflect current projected numbers. The numbers in these lines clearly show no connection to the reality of what we're planning to spend this summer or the revenue we expect to bring in. Maintaining them so far off from the true situation raises doubts about the reliability of every other number on the spreadsheet. When I asked about this a week ago your response indicated that you'd address it in your report for this meeting. It seems to have been missed.

It is expected that these programs will run with zero variance in the net budget. Detailed budgeting to increase the accuracy of the reported projected revenue and expense entries will be reviewed for future reports.

- Line 69 (International Office Admin) is running a very large deficit. I'm sure you're being asked questions about this line by other people and most, if not all of it, is items we've previously discussed. By my understanding, the larger components of this item are the legal fees associated with outside counsel for the Hamza arbitration and the costs of the arbitration hearing itself. Such immigration fees are included, but those were only ~\$3,500, right? Are there any other items in this line that are \$5,000+? What were the final numbers for the two Hamza items I previously listed?

Larger expenses on this line include:

Barnet Consulting (RailStation): \$47,172

Outside Counsel for the Hamza arbitration: \$55,277

Cost of the Hamza arbitration: \$4,174

Prior year expense reports: ~\$20,000

Dues and Fees: \$5,500

Phone: ~\$9,000

David Sach immigration-related expenses: ~\$3,700

Other items were of smaller magnitude. Expenses related to RailStation, the Hamza arbitration, Sach immigration, and prior year expense forms were not included in the original budget for this line.

- "FIE License Fees" is a revenue item for line 69, but not an expense item. I assume it should be listed for both. What is our revenue from FIE licenses and what is our expense?

"FIE License Fees" should be listed in the detailed description of both revenue and expense categories for this line and will be in the future.

YTD (4/30/2012) revenue: \$18,928.02 YTD expense: \$12,622.38

[Note: These figures also include FIE referee exam fees]

- Line 87 (Olympic Prep) has a projected surplus of \$52,650.00, all of which is new this month. Are there expenses that we think have dropped by that much, or is this a result of shifting costs into next season? If the former, what item(s), what were the budgeted costs, and what are the current projected costs? If items are simply coming in below budgeted cost or are being cut, why wasn't it apparent until May? Previous financial reports had projected late-season costs filling the budgeted amount.
- In line 87 (Olympic Prep), the month-to-month budget calls for \$78,500 to be spent May 1, 2012 - July 31, 2012, while current projections have spending over this time period at \$96,673.96. What item(s) are currently projected as over budget? I suspect a significant answer to this sub-question is actually that month-to-month budgeting is very far from accurate. If so, what improvements do you propose for the future?

Actual expenses have been occurring in different months than those projected when the month-to-month budget was originally drafted, which has led to the identified shifts as planned expenses are incurred. It is anticipated that all money allocated in this line will be used resulting in a zero variance.

- Line 89 (OTC/Resident Program): I continue to have problems with the projections on this line. There appears to be a systematic error in the projection process that causes the expense line to rise by ~\$6,000 each month. The revenue entry continues to drop at a regular rate, albeit a smaller amount. The error(s) should be identified and an accurate number should be used for the 5/31 report, if not sooner.

All team training camps are recorded in this line item, not exclusively OTC activities (per David Sach). A problem was identified how revenue projections are calculated based on differences in timing between USOC funding and the month-to-month budget. The issue will be addressed.

- Line 90 (Direct Athlete Support) has either a typo or a mathematical error on it. The associated comment reads:

Greg Dilworth:

From 2011 PPA, the USOC allocated \$312K for athletes. Our athletes actually earned \$353.5K. The difference is owed by us to the USOC. They have agreed to move \$9K from unearned Wheelchair support over. The difference is reflected here.

The entry for the line is \$33,500. $\$353,500 - \$312,000 - \$9,000 = \$32,500$.

The error is in the comment. The actual figures are \$351,500 and \$8,000. The difference, \$33,500, is correctly recorded in the financial report.

- The wheelchair world championships were in November. Our expenses for that line (97) went up by a bit over \$2,700 during April. Why?

The new expense was related to the World Cup in Montreal. This line will be renamed "Wheelchair International."

- What is the most recent information on the State of Texas grant to assist with expenses incurred in January and February 2011?

The last information to the Board was provided in February. At that time, the Board was informed that the Association had received \$80,000 from the State of Texas rather than the \$100,000 expected. It was indicated that inquiries into the source of the change were underway and follow-up would be provided to the Board when more information was available. I have asked for further information on multiple occasions. Most recently, it was indicated that an answer was expected by May 17.

This remains an open topic with a response necessary from Greg Dilworth.

[On May 31, Mr. Dilworth indicated that he continues to work on getting an answer to this question.]

- Reviewing the 2012-13 proposed budget, under the Magazine & Marketing tab is an entry for \$17,000 to Thinline Communications. Their extremely sparse website (<http://www.thinlinecommunications.com>) includes a branding portfolio, the first two logos on which are the quickly-shelved “Epee Foil Saber” round logo that replaced the “Honor Integrity Agility” version and a logo I don’t recall previously seeing for the 2011 Pan Am Zonal Fencing Championships in Reno, NV.

Who are these people (or person, since it appears to be a one-man shop) and are we currently paying them? What do we get in exchange for \$17,000/year?

Thinline Communications is not a current vendor of USA Fencing. There was a minor expense entry in 2011, but otherwise they have not appeared in our accounts since 2010.

They will be removed from future drafts of the 2012-13 budget.