BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

January 21, 2025

Audit Committee and Board of Directors
United States Fencing Association and Foundation
Colorado Springs, Colorado

We have audited the financial statements of United States Fencing Association and Foundation (collectively, the "Organization"). Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America ("US GAAS"), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 21, 2024. Professional standards also require that we communicate to you the following related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. The Organization adopted ASU 2016-13, *Financial Instruments—Credit Losses*, on August 1, 2023, and the application of existing policies was not changed during the year ended July 31, 2024. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of functional expense allocation is based on actual time spent in relation to each functional category for payroll expenses, which is also used for occupancy-related costs and is based on estimates of usage for other categories. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the fair value of investments is based on the fair value provided by the USOE. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of liquidity and availability of resources in Note 2 to the financial statements reflects the amount of financial assets available for current general expenditures, liabilities, and other obligations as they come due.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes misstatements detected as a result of audit procedures. The adjusting journal entries include those corrected by management. The passed adjusting journal entries include uncorrected misstatements which management has determined to be immaterial both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With the clarification of the United States Fencing Foundation's ("Foundation") governing documents, management determined that the Association has both an economic interest and control over the Foundation, and therefore the Foundation has been consolidated. This resulted in a restatement of beginning net assets to include the Foundation's beginning balances. Our report has been modified accordingly and the effect of the matter has been disclosed in the notes to the financial statements.

Internal Controls

In planning and performing our audit of the financial statements of the Organization as of and for the year ended July 31, 2024, in accordance with US GAAS, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances and for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

We consider the following to be significant deficiencies:

<u>Segregation of Duties and Review</u>

While the Organization has taken steps in recent years to improve segregation of duties, there are additional improvements that could be made. In particular, we noted that journal entries made to the general ledger and account reconciliations are not reviewed independent of preparation. This resulted in a number of audit adjustments above what we would expect for an organization of this size. We recommend that adjustments to the general ledger and monthly account reconciliations be performed by the Accounting Manager, and the Director of Finance performs a review to ensure that adjustments are reasonable, and detail schedules are agreed to the general ledger. This will help improve controls over financial reporting and ensure reliable financial reporting throughout the year.

<u>Foundation Endowment Documentation</u>

The Foundation does not have sufficient internal documentation to support its endowment, and the records do not clearly distinguish between the donor-restricted endowment corpus (the original principal amount designated by donors to be maintained in perpetuity) and the accumulated earnings (investment income, gains, and other increases or decreases in value) generated by these funds. This documentation is critical for ensuring that endowment funds are managed in accordance with donor restrictions and that only allowable amounts are utilized.

Other matters:

Although not considered material weaknesses or significant deficiencies in internal control over financial reporting, we observed the following matters and offer the following as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures.

Valuation of Contributed Nonfinancial Assets

During our testing of in-kind contributions, we noted that the Organization has not updated the valuation of the assets contributed to the Organization in recent years. While this does not have a net impact on the financial statements, nonprofits are required to value contributed assets based on current market prices. We recommend that the Organization perform an analysis on an annual basis of the fair value of the items contributed, document its rationale, and maintain the supporting documentation. This will help ensure in-kind contributions are properly valued.

This information is intended solely for the use of the board of directors and the audit committee and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

BiggsKofford, P.C.

BiggsKofford, P.C.

Adjusting Journal Entries

Adjusting Journal Entries - Association

ADJUSTING: To roll forward net assets from the prior year audited financial statements.			
500360	Miscellaneous	6,069.00	
300200	Retained Earnings		6,069.00
Total		**6,069.00**	**6,069.00**
ADJUSTING: To reverse prior year adjustments to accounts receivable and accounts payable.			
110000	Accounts Receivable	41,757.00	
200000	Accounts Payable	72,672.00	
120200	Prepaid Expense		29,774.00
120400	Prepaid Insurance		26,000.00
410210	FIE License Fee		16,898.00
410600	Miscellaneous Revenue		41,757.00
Total		**114,429.00**	**114,429.00**
ADJUSTING: To adjust the allowance for bad debt.			
500060	Bad Debt Expense	1,713.00	
110010	Allowance for Bad Debt		1,713.00
Total		**1,713.00**	**1,713.00**
ADJUSTING: To expense software that was improperly capitalized. Amount is below capitalization threshold.			
500602	Company Software/Hardware	1,751.00	
160150	Computer Software		1,751.00
Total		**1,751.00**	**1,751.00**
ADJUSTING: To accrue for legal invoice containing services rendered during the fiscal year.			
500108	Legal Fees	42,798.00	
200000	Accounts Payable		42,798.00
Total		**42,798.00**	**42,798.00**
ADJUSTING: To adjust investment balances based on confirmation received from the USOE.			
410600	Miscellaneous Revenue	150,000.00	
100250	US Olympic Endowment		150,000.00
Total		**150,000.00**	**150,000.00**
ADJUSTING: To adjust due from Foundation to tie out inter-entity balances.			
500360	Miscellaneous	271.00	
110060-BK	Due from US Fencing Foundation		271.00
Total		**271.00**	**271.00**

ADJUSTING: To recognize revenue from 4% grant from US Fencing Foundation.			
220050	Deferred Revenue - Restricted	100,773.00	
410820	USFF Grants		100,773.00
Total		**100,773.00**	**100,773.00**

ADJUSTING: To adjust AR based on confirmations received for Grouphousing and Texas Fund.			
110000	Accounts Receivable	20,650.00	
410480	Hotel Rebates	28,538.00	
110000	Accounts Receivable		28,538.00
410416	Event Incentives		20,650.00
Total		**49,188.00**	**49,188.00**

Adjusting Journal Entries - Foundation

ADJUSTING: To roll forward net assets. Prior year AJE#10 was not recorded for amount transferred to Association for the Olympics. Amount was a prepaid expense in the prior year and should be recognized as an expense in the current year.			
500240-FDN	Hotel	34,935.00	
320000-FDN	Unrestricted Net Assets		34,935.00
Total		**34,935.00**	**34,935.00**

ADJUSTING: To adjust investment balance per trial balance to investment statement as of July 31, 2024.			
200000-FDN	Accounts Payable	32,334.00	
200005-FDN	Grants payable	51,698.00	
450250-FDN	Unrealized gain/(loss)	8,890.00	
608000-FDN	Grants	100,773.00	
180000-FDN	US Olympic Endowment-Unrestricted		193,695.00
Total		**193,695.00**	**193,695.00**

ADJUSTING: To recognize pledge receivable outstanding as of July 31, 2024			
111000-FDN	Pledges Receivable - Current	39,500.00	
410540-FDN	Donations - Restricted		39,500.00
Total		**39,500.00**	**39,500.00**

ADJUSTING: To reverse business expenses for FY22-23. Amounts were recognized in the prior year.			
200000-FDN	Accounts Payable	125,880.00	
609000-FDN	Business Expenses		125,880.00
Total		**125,880.00**	**125,880.00**

Uncorrected Misstatements

Proposed Journal Entries

To adjust USOPC revenue recognized based on confirmation received from USOPC.			
410710	Base Funding	9,000.00	
220900	Deferred USOPC Revenue		9,000.00
Total		**9,000.00**	**9,000.00**
To accrue for payroll at year-end.			
500406	Salaries	25,105.00	
230300	Accrued Salaries		25,105.00
Total		**25,105.00**	**25,105.00**
To agree credit card liability balance to agree to credit card statements at year-end.			
202103	Visa Nicole Kirk	9,129.00	
500360	Miscellaneous		9,129.00
Total		**9,129.00**	**9,129.00**
To record extrapolated error in accounts payable testing based on exception noted.			
500360	Miscellaneous	77,123.00	
200000	Accounts Payable		77,123.00
Total		**77,123.00**	**77,123.00**