

April 23, 2014

To: Minnesota Swimming, House of Delegates
Minnesota Swimming, Board of Directors
Minnesota Swimming, Staff

Re: Finance Vice Chair's Report – Annual Meeting of the MSI House of Delegates

I am just completing my third year of service as the Finance Vice Chair and am happy to provide my annual report to the 2014 House of Delegates Annual Meeting participants.

Financial Update

Our membership continues to grow as has our participation in meets. During our last completed fiscal year, we ended last August with annual revenues higher than what was budgeted, slightly lower than budgeted expenses and a net surplus for the year of nearly \$37,000. Our financial results also benefitted nicely from a strong stock market as our investment earnings were also stronger than planned. In our current fiscal year, we are forecasting a slight increase in revenue and a loss for the year of nearly \$42,000 which is close to the \$52,000 loss we had budgeted. Although the investment earnings are once again running positive, the board decided to distribute those earnings back to the member clubs. We expect that distribution to be close to \$50,000 and we plan to mail checks to member clubs in August.

This is also our third year reimbursing meet host clubs for the fees incurred related to referees and starters. By August 2014, we will have returned approximately \$60,000 in the current year to member clubs who have hosted meets.

Our annual audit was conducted by Harrington, Langer & Associates and we received a clean opinion and very favorable feedback regarding our accounting practices. We also received no significant recommendations regarding our internal control practices.

Operating Reserves

At the February 2011 MSI board meeting, the board adopted a policy, which was consistent with USA Swimming, stating that “MSI will strive to maintain will strive to maintain reserves of a minimum of 75% and a maximum of no more than 125% of its annual operating expenditures budget.” In June 2011, the board approved a detailed policy regarding Funded Board-Designated Operating Reserves and further designated that reserve to be \$350,000. Our balance sheet shows this designated reserve in the Fund Balance section. The adequacy of this reserve, as well as the compliance with the reserve policy, is required to be reviewed annually and our current reserves are above this level.

Investments

In July 2011, the MSI board approved a detailed Investment Policy Statement which describes our investment strategy and how we want our investments to be managed. At that time, we selected First Western Trust Bank in Colorado as our new investment

manager to be professionally managed and invested in accordance with our new Investment Policy Statement. This is the same group that manages USA Swimming's asset portfolio. We have assumed a moderate risk tolerance and our returns have been strong in the past couple years. The earnings from these assets provided the funding for 2 rebates back to the member clubs, one last August and the other next August, and the grants described below.

Grant Committee

Last year, we formed a Pool Facility Development Grant Committee which I chair. Since that time, we have had meetings to review grant requests and have awarded nearly \$30,000 for projects in the state. We are reviewing a couple exciting proposals for upcoming pool projects in our state and we hope to see our contributions grow significantly in the upcoming year.

Looking ahead to the 2014-2015 fiscal year, we are expecting continued athlete growth of at least 3%. That will create added challenges as we manage through issues like meet crowding and pool space - those are the fun problems to solve! Thank you for the privilege of serving MSI this past year.

Respectfully submitted,

Terry Peterson
Finance Vice Chair