

April 9, 2015

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 fourth and final year of service as the Finance Vice-Chair and am happy to provide my annual report to the 2015 House of Delegates Annual Meeting participants. Serving as your Finance Vice-Chair during the past four years has been a tremendous experience for which I am thankful to have been given, and I now look forward to working with the organization in different capacities.

Financial Update

Our membership remains strong and our participation in meets continues to grow. During our last completed fiscal year, we ended last August with annual revenues higher than what was budgeted, slightly higher than budgeted expenses and a net surplus for the year of approximately \$18,000. Our financial results also benefitted nicely from a strong stock market as our investment earnings were also stronger than planned which in turn allowed MSI to return over \$44,000 to our member clubs by way of a rebate in August 2014. This was our second year issuing club rebates at that level.

In our current fiscal year, we are forecasting a loss for the year of approximately \$69,000 which is higher than the \$56,000 loss we had budgeted. In April, the MSI board approved a \$120,000 grant for the Rochester Aquatics Facility which will be funded via 4 installments through 2018. We expect to pay the first installment during the current year which is causing our forecasted loss for the year to be a little higher than planned.

This is also our fourth year reimbursing meet host clubs for the fees incurred related to referees and starters. By August 2015, we will have returned over \$50,000 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 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 few years, but have moderated some in the current year. The earnings from these assets provided funding for the rebates back to the member clubs in August of both 2013 and 2014.

Grant Committee

In August 2012, we formed a Pool Facility Development Grant Committee which I have chaired since its' formation. We have had meetings each year to review grant requests and have awarded over \$160,000 for projects in the state. During the current year alone, we have approved two grants totaling \$132,500, including a multi-year grant of \$120,000 for the Rochester Rec Center project. We are also reviewing another exciting proposal for an upcoming pool project in our state and we hope to see more pool investment opportunities in the years to come.

Wrap-Up

When I first stepped into the Finance Vice Chair role back in 2011, my biggest challenge was to help MSI identify opportunities to reduce, or spend down, the large unrestricted reserves that had built up over the preceding years from such high levels of member growth. I am happy to report that by the end of our current fiscal year, we will have reduced our unrestricted reserves in the last four years by one-third, or roughly \$140,000, despite having implemented a new investment program that has consistently yielded record levels of investment returns for MSI. We have accomplished this by successfully investing back into the Minnesota swimming community through pool/facility grants, reimbursements to meet host clubs for officials, two large rebates to member clubs, increasing national travel reimbursements, added investments in meets like central zones and the all-star meet, plus many smaller initiatives. It is easy to spend money by signing a check, but I have been fortunate to have worked with so many dedicated volunteers who have help identify and implement opportunities for MSI to invest back into our swimming community and spend down our reserves in a meaningful and responsible manner.

Thank you again for the privilege of serving MSI as your Finance Vice-Chair over the past four years. I leave this role with the organization being financial sound and well run by an outstanding group of volunteers serving on the board and by a dedicated, hard-working staff.

Respectfully submitted,

Terry Peterson
Finance Vice Chair