



**MINNESOTA  
SWIMMING**

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Finance Vice-Chair  
Minnesota Swimming, Inc.

It is my privilege to provide my report to the 2018 MSI House of Delegates

### **Financial Update**

- Our 2017 Fiscal Year annual external independent audit was conducted by Harrington, Langer and Associates - we received a clean opinion and favorable feedback regarding our accounting procedures.
- The 2016 HOD had approved a FY2017 Budget with MSI spending \$11,763 more than we brought in. In reality, due to strong investment returns and expenses that ran \$101,000 below budget even though revenue ran almost \$30,000 below budget, we finished the 2017 Fiscal Year with \$104,286 more than originally budgeted.
- At 7 months into the 2018 Fiscal Year, the projected balance, while still positive, shows a less rosy picture – Revenue is currently projected to end the year almost \$43,000 below budget, Expenses are expected end the fiscal year \$37,000 below budget and Investment returns are projected to meet or slightly exceed budget numbers. With 5 months left in the year, these projections can and will change but we can still expect to finish the year much closer to our budget numbers than we did in 2017.
- Restricted Reserves are currently showing a balance of \$480,000 - \$350,000 in Operating Reserves, \$50,000 in a dedicated Competitive Excellence fund and \$80,000 in the Pool Facility Development Grant Fund (\$30,000 earmarked for the final grant payment to Rochester Swimming, \$12,500 earmarked to WEST for the new Pioneer Ridge Middle School pool and \$37,500 in non-earmarked funds).
- The Unrestricted Fund currently holds just over \$400,000, which will allow us the freedom to act on new opportunities and priorities if they arise.

### **Operating Reserves**

At the February 2011 MSI board meeting the board adopted a policy, 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. The Finance Committee researched current non-profit best practices and found that current guidelines recommend a reserve equal to 6-12 months of operating expenses. Our current Designated Operating Reserve of \$350,000 positions us at 77%, or just over 9 months of FY2019 operations. Finance will continue to monitor best practice recommendations and perform the annual evaluation upon preparation of the FY2020 Budget Forecast.

### **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 to act as our new Investment manager, responsible for professionally managing our investments in accordance with our Investment Policy Statement. First Western Trust is also the same management firm chosen by USA Swimming to oversee its asset portfolio. We have assumed a moderate risk tolerance portfolio that has seen returns above the conservative forecasts projected for the first 5 months of this year with the last 2 months falling below projections due to the uncertainty of the current markets due to world events. In the upcoming year we are once again forecasting a conservative increase of 3%.

## Summary

Financially Minnesota Swimming remains strong and holds the resources to meet the priorities of its membership and board, such as the increased committee expenditures we are seeing for the upcoming year, along with the possible addition of a new salaried position in the office. Beyond this though we must also be aware of what may be a new trend – lower than expected revenues being generated through swim meets and member registrations. With this in mind I and the Finance Committee will be reviewing and investigating a different way to fund MSI’s operational budget. Currently our meet revenues are generated through the \$3.00 MSI Entry Fee, along with a payment to MSI of 20% of net meet profit, exclusive of exempt meet fees. Because of the way our meet income and fee policies are structured, host clubs are able to limit their payments to MSI to the \$3.00 Entry Fee by assigning meet charges to the exempt meet fees. To be blunt, this causes tension between the clubs that “play by the rules” and those clubs that take advantage of the loophole created by the current policies, results in upset parents who don’t understand why there is such a range in meet costs and fees between different clubs and meets, and creates after-meet financial paperwork for clubs and office staff alike.

I am proposing that the operational budget be funded through a combination of Registration and Meet Entry Fees. The Meet Entry Fee would be determined by taking the proposed Operating Expenses, subtracting the proposed Registration Fee income, and then dividing the remaining number by the proposed number of meet entries for the upcoming season, rounded down to the nearest 25¢ (see example using the proposed FY2019 numbers below).

Operating Expenses:	\$581,549
- <u>Projected Registration Revenue:</u>	<u>\$ 83,156</u>
Adjusted Expenses:	\$498,393
÷ <u>Projected Meet Entries:</u>	<u>50,804</u>
FY2019 MSI Entry Fee:	\$ 10.75

Since MSI would no longer be receiving a portion of the splash and flat fees, host clubs would no longer need to charge per athlete facility and program fees as they could now recover their expenses and desired profit through the charged splash/flat fee. Championship meets would still charge MSI-determined fees and follow the current Facility Fee policy. Supplemental MSI revenue will be generated through donations, sponsorships, timing equipment rentals and investment income. As always, more could have been written about the past year and future plans, so please feel free to contact me with any questions you might have.

Respectfully Submitted,  
Kelly Burrows  
Finance Vice Chair