

April 19, 2013

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 first term of service as the Finance Vice Chair and am happy to provide my second report to the 2013 House of Delegates Annual Meeting participants. During the past year, we have made some important changes which I am confident will benefit Minnesota Swimming for many years to come.

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, lower than budgeted expenses and a net surplus for the year of \$39,000. Our financial results also benefitted nicely from a strong stock market as our investment earnings were much stronger than planned. In our current fiscal year, we are forecasting a slight increase in revenue and a near flat bottom line which is approximately \$51,000 favorable to our budget.

This is our second year reimbursing meet host clubs for the fees incurred related to referees and starters. By August 2013, we will have returned approximately \$50,000 in the current year to member clubs.

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 and we transferred \$375,000 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. Since that time, our new investment strategy has yielded cumulative earnings of over \$85,000 which is significantly more than we had earned before our new investment strategy.

Strategic Matters

Earlier this 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.

Looking ahead to the 2013-2014 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