
April 7, 2016

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

Upon completion of my first year of service as the Finance Vice-Chair I am happy to provide my annual report to the 2016 House of Delegates.

Financial Update

The upcoming year finds us strong financially and optimistic of the renewed interest in swimming that always follows the Olympics. For the past several years the House of Delegates approved a budget where expenses exceeded revenue to reduce unrestricted reserves and make investments back into the sport.

For the 2014-15 fiscal year annual expenses exceeded income by \$73k. For the 2015-16 fiscal year annual expenses were to exceed income by \$78k which, with the final March numbers, we appear to be on target for. This includes the initial payout of the \$30k grant to the Rochester pool renovation which was deferred from 2015. The local swimming booster organization (that receives these payments) now has its tax exempt status determined, so the remaining three grant payments will occur as planned in 2016-18.

In addition to the initial Rochester pool grant being released the following approved expenditures and adjustments were made in support of members of MSI this season:

- 1) \$5,000.00 was added back into the National Travel Budget at the request of the Senior Committee.
- 2) The Pool Facility Development Grant fund was replenished to \$50,000.
- 3) An increase of a \$1.50 to the Meet Entry Fee for a total charge of \$3.00/athlete was implemented. In reviewing the current year budget forecast the Finance Committee noted more hosts shifting splash fees, which are shared with MSI, to facility surcharges that are not. This was having an unfavorable effect on the approved budget, thus, the MSI Board approved the committee's proposal for the \$1.50 increase effective with the coming spring/summer season. It does not add excessive cost to attend a meet or disrupt meet budgets for the host clubs. The fee was last revised 10 years ago and it will be reviewed seasonally.

Our annual external independent audit was conducted by Harrington, Langer and Associates and we received a clean opinion and favorable feedback regarding our accounting procedures. 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, 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 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 shown losses this year due to both market conditions and a reduced investment pool as we have used unrestricted funds for other approved uses.

Summary

MSI is financially stable and continues to invest in the growth of both the organization and its members. A changing financial outlook may require the membership to reexamine its priorities and see the leadership becoming creative in the ways MSI is funded, reviewing how things are done now and by exploring new revenue streams for the future. I believe our members and leaders will continue to lead MSI forward, adapting to the challenges of the future and continuing the growth we have enjoyed in the past.

Thank you for the opportunity to serve you in the year past and I look forward to continuing my service in the year to come.

Respectfully,
Kelly Burrows
Finance Vice Chair