



**MINNESOTA  
SWIMMING**

**Kelly Burrows**

Finance Vice-Chair

Minnesota Swimming, Inc.

Since this is my last report to the House, with your permission I think I'll start with a personal message before the financials put you to sleep...

I first volunteered for a Mantas swim meet as a timer when my daughter, Megan, began to swim with Mantas. Like many other parents, I had a volunteer requirement to meet. I decided that being on deck was a lot cooler, and a lot more fun, than being in the stands. My next step was to become a Stroke and Turn Official. Why? Because I was asked by another one of our officials, who explained that since we held meets we were obligated to supply at least 2 officials. I never swam competitively, even though I grew up swimming, so the idea of observing and judging the athletes in the water scared the heck out of me. But the team needed me if we were to continue holding meets. Then once Jack Campbell learned that I knew how to work Meet Manager and the Colorado, he used his (supernatural?) powers of persuasion to convince me that I should become an Admin. Again, with no competitive swimming background, this is a position that I never would have voluntarily moved into if I hadn't been asked. Then came that day at the Short Course Winter State where Jim Hanton approached (ambushed?) me as I was sitting outside between session, enjoying the sun for the first time in days, and brought up the Finance Vice Chair position. I honestly thought he was out of his mind. My background was in small business and landscape estimating with, again, no experience in competitive swimming. Four years later I still have days where I know he was out of his mind. But, with the help and patience of the MSI staff, along with the other members of the Board of Directors and all the club coaches, volunteers and athletes it has been my privilege to interact with over the past four years, I was able to fulfil my duties and carry out my responsibilities. Again, I find myself doing something because I was asked, knowing that if left to myself I never would have volunteered because I didn't feel competent or comfortable in my abilities to do the job.

My point? A shortage of good volunteers is something that I have heard discussed at every meet, every board meeting and every national meeting that I have been part of. Most of you are a part of swimming because it is part of who you are, part of your history. Yet most of the parents in your stands and behind your swimmers are like me, somebody who thinks they have nothing to offer, or are nervous about volunteering, because they don't have a swimming background. Our parents and older athletes offer a tremendous pool of abilities and experiences that we are losing out on because they haven't been asked. You might be surprised how many of us are really bad at saying "No".

Now on to the exciting parts of the report you were looking forward to...

## **Financial Update**

- Our 2018 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 2017 HOD had approved a FY2018 Budget with MSI revenue exceeding expenses by \$51,789. In reality, our strong investment returns (\$19.5k above budget) and lower than expected expenses (\$47.8k below budget) helped to offset a revenue deficit of \$33.7k, resulting in FY2018 finishing with Revenues exceeding Expenses by \$72.9k (\$21.1k above projections).
- At 7 months into the 2019 Fiscal Year, the projected year-end forecast shows a deficit of \$96.5 (\$73k below budget). This is due to: Revenues that are forecast to end the year \$65.6 below projections, the addition of the Sport Development Director's position (which was not included in the original budget projections), Investments running \$9.3k below budget and an unbudgeted Facility & Pool Grant of \$40k to the City of New Hope for their new 50m outdoor pool. Expenses are currently projected to run almost as budgeted. With 5 months left in the year, these projections can and will change, especially our Investment returns, but we can still expect to finish the year with a larger deficit than planned.
- Restricted Reserves are currently showing a balance of \$446,798.20 - \$350,000 in Operating Reserves, \$36,798.20 in a dedicated Competitive Excellence fund and \$60,000 in the Pool Facility Development Grant Fund (\$40,000 earmarked for the May grant payment to the City of New Hope and \$20,000 in undesignated funds)).
- The Unrestricted Fund currently holds \$479,153.09, 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. With the addition of the SDD position, our current Designated Operating Reserve of \$350,000 has reduced our 2019 reserve of 77% to 50%, or 6 months of projected FY2020 operations. Finance will continue to monitor best practice recommendations and perform the annual evaluation upon adoption 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 have seen returns for this year finally exceed losses in March by \$3.7k. We have estimated a conservative 3% return for the 2020 Fiscal Year.

### Financial Health 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 supporting the initiatives of our Sport Development Director and Competitive Excellence. Beyond this we must be aware of a continuing trend – lower than expected meet revenues and member registrations. Meet Revenue projections are really an exercise in guessing – meet hosts currently have the freedom to arrange their meet fees in any manner they wish (flat fees, splash fees, program fees, facility fees) with the only constant being the \$3.00 MSI Meet Registration Fee.

### Alternate Funding Plan

With this in mind, I and the Finance Committee are proposing an Alternate Funding plan. Currently our meet revenues are generated through the \$3.00 MSI Meet Entry Fee, along with a payment to MSI of 20% of net meet splash fees, exclusive of exempt meet fees (Facility, Program & Entry). Because of the way our meet income and fee policies are structured, some 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 pay their taxes” and those clubs that take advantage of the loophole created by the current policies, resulting in upset parents and club boards who don’t understand why there is such a range in meet costs and fees between different clubs and meets, and creates confusing after-meet financial paperwork for clubs and MSNI office staff alike.

The Finance Committee is proposing that the operational budget be funded through the Meet Entry Fee only – eliminating the current 20% meet revenue sharing plan. The yearly Meet Entry Fee would be determined by taking the budgeted Operating Expenses, subtracting the Non-Meet Fee Income (Miscellaneous Income + Equipment Rental + Fines + Sanction Fees + Registration Fee income), adding any budgeted Facility/Competitive Excellence, and then dividing the remaining number by the forecast number of meet entries for the upcoming season, rounded up to the nearest 25¢ (see example using the proposed FY2020 numbers below).

Operating Expenses:	\$698,134
- Projected Non-Meet Revenue:	<u>\$110,162</u>
Adjusted Expenses:	\$587,972
÷ Projected Meet Entries:	<u>52,646</u>
FY2020 MSI Entry Fee:	\$ 11.25

Since MSI will no longer be receiving a portion of a host’s splash fees, it is hoped that host clubs would no longer need to charge additional fees as they could now recover their expenses and desired profit through the charged splash fees. Championship meets would still charge MSI-determined fees (splash/Champ Facility). Supplemental MSI revenue will be generated through investment income.

Thank you all for the privilege of serving you these past 4 years!

Kelly Burrows  
Finance Vice Chair