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| | Policies and Procedures | |
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# 1. POLICY OVERVIEW

1.1. Sections two (2) and three (3) give general information applicable to the entire policy.
*1.2.* Section four (4) through eleven (11) direct various aspects of Utah Swimming financial matters. *See Table of Contents for more detail.*
1.3. Section twelve (12) addresses insurance related items.
1.4. Section thirteen (13) lists documents and forms applicable to this policy.
1.5. Sections fourteen (14) and fifteen (15) outline administrative procedures and responsibility for ongoing policy implementation and dissemination.

# 2. PURPOSE OF POLICY

2.1. Utah Swimming is dedicated to ensuring that all financial operations are conducted under the highest standards of integrity and ethics and in compliance with strict internal controls to safeguard the organization's assets and provide a strong financial foundation. This policy is designed to help ensure this happens.

# 3. DEFINITIONS

3.1. **Affiliation Agreement(s):** Contractual agreement(s) between Utah Swimming and USA Swimming. Each has obligations to the other because of the agreement.
3.2. **Board-Designated Operating Reserve:** Amounts reported in the Unrestricted Net Assets section of the balance sheet and identified as Board-Designated Operating Reserve.
3.3. **Board Member:** A member of the Utah Swimming Board of Directors, including the At-Large Board Members.
3.4. **Board of Directors:** The Board of Directors of UTSI.

3.5. **Bylaws:** The bylaws as adopted and amended from time to time by, and in effect for, UTSI.

3.6. **Costs of Operating and Maintaining the Organization**: Utah Swimming's net expenses for Program Services and Administration as reflected by the approved annual budget.

3.7. **Funded Board-Designated Operating Reserve:** A fund consisting of liquid assets and investments. Liquid assets are those that may be converted to cash quickly and easily. It is not required that Board-Designated Operating Reserve be physically segregated in a separate bank or investment account although Utah Swimming may decide to do so.

3.8. **Independent Contractor:** Any person whom Utah Swimming compensates directly and who performs services for the organization.

3.9. **LEAP:** A USA Swimming program designed to assist LSCs in becoming more efficient and effective. LEAP stands for *LSC Evaluation and Achievement Program.*

3.10. **LSC:** Local Swim Committee, the regional governing body for USA Swimming. The LSC for the state of Utah is Utah Swimming.

3.11. **Policies and Procedures:** The principles, rules, and guidelines of UTSI, as amended and adopted by the Board of Directors or the House of Delegates.

3.12. **Sanction:** Official permission, or approval to host a meet. Times from meets sanctioned by USA Swimming are recognized by the organization. Rules and regulations regarding sanctioning are in the current USA Swimming rulebook. Sanctions for USA Swimming meets held in the state are granted by Utah Swimming.

3.13. **USA Swimming:** USA Swimming, Inc., a Colorado nonprofit corporation which is the national governing body for the United States for the sport of swimming.

3.14. **UTSI:** Utah Swimming, Inc. A Utah not-for-profit corporation.

# 4. FISCAL YEAR AND BASIS

4.1. Utah Swimming operates on a calendar year and all financial records are maintained on an accrual basis.

# 5. REPORTING AND FILING REQUIREMENTS

## 5.1. The Role of the Finance Chair

5.1.1. The Finance Chair ensures that UTSI complies with legal and other reporting and filing requirements.

## 5.2. Corporate Requirements

5.2.1. Utah Swimming, in accordance with requirements of the law shall meet the reporting and filing requirements. These include but are not limited to filing federal income tax return (Form 990) annually.

## 5.3. USA Swimming Requirements

5.4. Utah Swimming shall meet the reporting and filling requirements of USA Swimming. These include but are not limited to requirements listed in Article 8 (LSC Reporting Requirements) of the USA Swimming Bylaws and any Affiliation Agreement(s).

### 5.5. External Reports

5.5.1. The Treasurer shall prepare unaudited financial statements, monthly, quarterly, and annually, for the Board of Directors. Financial statements are to be prepared in compliance with generally accepted accounting principles on the accrual basis and contain budget to actual amounts and variances. Reports will be e-mailed to the board in PDF format according to the following schedule. Then, published after board approval.

5.5.1.1. Monthly Profit/Loss Statement: 72 hours prior to monthly board meeting

5.5.1.2. Quarterly statements: 45 days after the end of the quarter

5.5.1.3. Annual unaudited statements: 60 days after the end of the year

### 5.6. Audits and Other Reviews

5.6.1. The Finance Chair will ensure that Utah Swimming complies with required audits and other reviews. Regular audits and reviews are required by the UTSI bylaws and USA Swimming.

#### 5.6.2. Semi-Annual Audit

5.6.2.1. To maintain USA Swimming crime insurance coverage and business success, an audit committee, under the direction of the Finance Chair, needs to review the LSC books at least semi-annually.

## 6. BUDGET PROCESS AND APPROVAL

### 6.1. Budget Preparation

6.1.1. All expenditures made in the name of the corporation are subject to and governed by the annual operating budget approved by the Executive Committee, Board of Directors, and House of Delegates. An annual budget for capital expenditures is also approved by same.

6.1.2. The initial part of the budget process begins with the Treasurer. According to the following timetable, the Treasurer will request appropriate divisions to prepare revenue projections for the coming year, which are then reviewed with the Finance Chair. The Finance Chair will budget the estimated return on investments and coordinate the budgets for salaries, benefits, general and administrative, and the Capital Budget. The division directors will work with the committee chairs, vice chairs, and staff to determine the financial needs for existing and on-going programs and committees. They will also prepare proposals for any new programs the committees or departments deem appropriate for the coming year.

6.1.3. The General Chair, with the assistance of the Division Directors, will prioritize the prospective programs within each division based on the budget policy set out by the Board and contained in the Utah Swimming strategic quadrennial Business Plan. The preliminary budget will be prepared and presented to the Executive Committee for review. The preliminary budget will contain sufficient detail so the Executive Committee can determine the appropriateness and cost/benefit of the respective programs.

#### 6.1.4. The Role of the Committees

6.1.4.1. The committee chairs prepare their budgets. The committees are provided with budget parameters by the Treasurer. The committees work with the Treasurer to review the viability and performance of existing programs. Committees will review

and recommend new pilot programs for the upcoming budget year and, with the help of the Treasurer, develop appropriate budget worksheets for such programs.

### 6.1.5. The Role of the Vice Chairs

6.1.5.1. The Vice Chairs have no specific role in the budget preparation process, except in their supervisory capacity over committees. The Vice Chairs should maintain contact with the committees under their jurisdiction and the Treasurer during the budget preparation phase, so they become familiar with the various aspects of the budget that fall within their respective jurisdictions. As members of the Executive Committee, the Vice Chairs will be involved in the review process and will play the key role of providing insight into the programs and committee budget recommendations under their jurisdiction.

### 6.1.6. The Role of the Finance Vice Chair

6.1.6.1. With regard to the budget process, the Finance Vice Chair should be the functional liaison between the Treasurer and the Executive Committee and Board. The Finance Vice Chair's responsibility is to work with the General Chair and the Treasurer to assure that the product that is delivered to the Executive Committee is in proper form and prepared in accordance with the budget policy and Utah Swimming's strategic quadrennial Game Plan. It is not the Finance Vice Chair's function to pass on the appropriateness of any specific budget items. It will, however, be appropriate for the Finance Vice Chair to participate fully in the review process as a member of the Executive Committee.

### 6.1.7. The Role of the Board and the House of Delegates:

6.1.7.1. To amend, add, or delete a budget item, the primary place for change should be the Board of Directors. The role of the House of Delegates is to review, amend and approve the budget brought forward by the Board of Directors. Once the budget has been adopted, the Treasurer, the Finance Vice Chair, and the Board are responsible for implementing and enforcing the budget.

## 6.2. Budget Amendments and Review

6.2.1. The budget should be approved as a living document, one with built-in flexibility. The Board and Committees should be charged to live within the budget. This means that they must be ever vigilant as to overrunning any specific budget category. They should be looking at the whole of the divisional budgets to determine that the intent of the House of Delegates is being carried out by the expenditure of funds within the division. It is, ultimately, the Finance Chair's responsibility to review and approve all changes in the way budgeted funds are to be expended. Minor changes to the budget programs already approved should be handled administratively by the Finance Chair. The Finance Chair is responsible to the Board to bring the overall expenditures in at year-end within budget. For new programs adopted during the year, and previously approved programs that have been greatly expanded, the Board will consider budget amendments to adequately fund the programs.

6.2.2. To determine that funds are being spent in conformity with the budget, a quarterly budget to actual expenditures report will be provided to the Finance Vice Chair and members of

the Board by the Treasurer. Forecasts for the current quadrennium will be prepared and updated quarterly to assist with financial planning and budget preparation.

### 6.3. Budget Timetable

6.3.1. Feb - March: Budget forms and instructions will be made available to staff, board members, and committee chairs for development of proposed program budgets. The Treasurer coordinates revenue projections with the Finance Chair.

6.3.2. April - May: Using the budget worksheets and revenue projections, the Treasurer produces a first draft of the proposed budget, to be reviewed and revised via meetings between the General Chair and Division Directors.

6.3.3. May: Proposed Budget distributed to Executive Committee.

6.3.4. Early to Mid-June: Executive Committee meets to review, amend and approve the Proposed Budget.

6.3.5. Late June: Proposed Budget distributed to Board of Directors.

6.3.6. July BOD meeting: Board of Directors meet to review, amend and approve the Proposed Budget. (May do this in August if a board meeting will be held.)

6.3.7. September/October: Utah Swimming House of Delegates meet to review, amend and approve the Budget.

## 7. OPERATING RESERVES

### 7.1. Philosophy

7.1.1. The establishment and maintenance of a funded Board-Designated Operating Reserve is a high priority. This will enable Utah Swimming to support strategic business practices and to:

- 7.1.1.1. Manage cash flow interruptions.
- 7.1.1.2. Minimize the need for working capital borrowing.
- 7.1.1.3. Meet commitments, obligations, or other contingencies.
- 7.1.1.4. Generate investment income.

### 7.2. Policy

7.2.1. The purpose of this policy is to establish and maintain a funded Board-Designated Operating Reserve, unencumbered and uncommitted, at a level relative to the annual program funding and the costs of operating and maintaining the organization.

7.2.2. The Operating Reserve is intended to serve a dynamic role and is available to be utilized as needed rather than being static, devoted only to generating interest income.

### 7.3. Strategies and Procedures

7.3.1. Board-Designated Operating Reserve shall be accounted for separate and apart from Undesignated Operating Funds.

7.3.2. The Finance Committee will have the responsibility for developing and recommending policies and guidelines for the investment of the Operating Reserve assets and the Board of Directors will approve such policies and guidelines.

7.3.3. The Operating Reserve goal will be to achieve and maintain at least six months of Program Funding and Operating Costs.

## 7.4. Sources

7.4.1. Assets for the Board-Designated Operating Reserve accounts will come from the retained earnings of the organization.

7.4.2. Uses:

- 7.4.2.1. Internal line of credit for use to financially operate the organization.
- 7.4.2.2. Funds to meet unfunded and unexpected organization needs.
- 7.4.2.3. Funds for emergency and emerging needs of subsidiaries.
- 7.4.2.4. Funds to make up a deficiency in budgeted revenue, either in results or collection experience.

## 7.5. Governance

7.5.1. Depletion of the Operating Reserve will be evidenced by a negative balance in Undesignated Operating Funds. The procedure for approving use of the Operating Reserve Funds will be as follows:

- 7.5.1.1. As projected in the budget as approved by the House of Delegates.
- 7.5.1.2. By approval of the Board of Directors to fund unusual expenditures out of reserves.
- 7.5.1.3. By extraordinary expenses or loss of revenue and (or) investment losses. In this case, the following procedure will be followed:
  - 7.5.1.3.1. The Treasurer will inform the Board General Chair and the Finance Vice Chair.
  - 7.5.1.3.2. The Finance Vice Chair will inform the Board of Directors at its next scheduled meeting.

7.5.2. If the Operating Reserve is and has been less than 75% of the targeted reserve level for two consecutive years, the Board of Directors, in the absence of any extraordinary circumstances, will adopt an operational budget that includes a projected surplus sufficient to rebuild the Operating Reserve Fund to its targeted reserve level over the following two years.

## 7.6. Maintenance

7.6.1. The status of the funded Board-Designated Operating Reserve will be calculated at the end of each fiscal year based upon audited financial results.

## 7.7. Operating Reserve Ratio Calculation

7.7.1. The calculation formula is as follows:

Unrestricted, Board-Designated Operating Reserve as of 12/31 = [Budgeted Annual Operating Budget] x 6/12

Example: $13,886,400 = $27,772,800 (2011 USA Swimming Annual Operating Budget) X 6/12

7.7.2. The adequacy of the Board-Designated Operating Reserve will be determined as follows:

| | Example |
|---|---|
| Total Net Assets | $21,508,840 |
| Less Board-Designated Funds for Specific Purpose | (5,000,000) |

| | |
|---|---|
| Total Unrestricted Net Assets | 16,508,840 |
| Less Equity in Fixed Assets | (2,339,563) |
| Less Investment in USSIC | (3,431,772) |
| Less Prepaid Rent | (3,106,580) |
| Add Deferred Revenue | 8,669,996 |
| Available Unrestricted Assets | 16,300,922 |
| Less **Board-Designated Operating Reserve** | **(13,886,400)** |
| **Undesignated Operating Funds** | **$2,414,522** |

The Operating Reserve Ratio Calculation will be presented to the Finance Vice Chair following approval of the financial audit results by the Audit Committee. The Finance Vice Chair will consider the adequacy of the Operating Reserve amount and will recommend any changes as deemed necessary.

# 8. PURCHASING

8.1. Utah Swimming will employ sound business practices when purchasing goods and services to reduce costs and avoid conflicts of interest. Procurement of goods and services should be made by appropriate personnel.

8.1.1. See *Workforce Related* section of the UTSI Policies and Procedures for *Reimbursement Request Procedure* policy.

# 9. COMMITTEE ACCOUNTING PROCEDURES

9.1. There shall be no separate checking accounts for projects carried out under the direction of any committee without the express authorization of the Board of Directors.

9.2. All Utah Swimming funds must be received and disbursed by the Corporation.

# 10. AUTHORIZATIONS

10.1. The person who issues checks cannot be the same person who balances the monthly bank statement

10.2. Disbursement authorization (checks and electronic) is granted by the Board of Directors to the Board Chair, Finance Vice Chair, Treasurer.

10.3. Number of signatures required:

10.3.1. Less than $5,000 requires any one signature

10.3.2. $5,000 and over requires any two signatures or approvals

# 11. BEST PRACTICES

## 11.1. Checks and Cash

11.1.1. Checks and cash received by UTSI will be deposited within a week of receipt.

# 12. INSURANCE COVERAGE

12.1. Utah Swimming receives insurance coverage from USA Swimming. For more information on current coverage and requirements, see: www.usaswimming.org/riskmanagement.

### 12.2. Crime Insurance

12.2.1. In 2020, the current practice of USA Swimming was to provide Crime Insurance coverage. Coverage for independent contractors is provided. If the LSC has a third-party service rather than a person, they can request the entity be added to the policy as an independent contractor, but the organization would be subject to underwriting and additional premium.

12.2.2. To be eligible for coverage, the following safeguards need to be in place.

12.2.2.1. Dual signatures on checks and electronic payments in the amount of $5,000 or more; or a voucher/dual system approval process

12.2.2.2. The person who issues checks cannot be the same person that balances the monthly bank statement

12.2.2.3. An audit committee should review the LSC books at least semi-annually.

12.2.3. The policy cancels immediately for those individuals upon discovery of any prior theft or dishonest act. Therefore, there is no insurance coverage if the LSC is aware of prior crimes.

## 13. RELATED DOCUMENTS AND FORMS

13.1. Table of Fines (Policy #431)

13.2. Workforce Related (Policy #460) *Includes Financial Reimbursement Request procedure*

13.3. Standards of Practice Form (Policy #21) *Includes Conflict of Interest*

## 14. NOTIFICATION AND ACKNOWLEDGEMENT

14.1. After elections and appointment of new Finance Chair, General Chair, and/or Operational Risk Chair, the Governance Committee will ensure the new Chair receives a copy of this policy and is made of aware of responsibilities included therein.

14.2. Before beginning the budget development process for the year, the Finance Chair will share *BUDGET PROCESS AND APPROVAL* section of this policy with all board members.

14.3. The Governance Committee Member over *Board Health* will review this policy at least annually and help the board members know and fill their responsibilities under it.

14.4. Upon hiring a new Treasurer, the Finance Chair will ensure the new Treasurer receives a copy of this policy and is made aware of responsibilities included therein.

## 15. DISSEMINATION OF POLICY AND UPDATING

15.1. Policy will be posted on the UTSI website

15.2. At least annually in October or November, the Finance Chair and Treasurer will (1) Thoroughly review this policy and the following documents. (2) Make a written plan to ensure compliance for the upcoming fiscal year. (3) Share the plan with the General Chair and Governance Committee. (4) Note any needed revisions and work with the Governance Committee to get them implemented. Any changes thereto will be approved by the Board of Directors.

15.2.1. IRS and other non-profit corporation filing requirements

15.2.2. UTSI bylaw finance related articles, including but not limited to: Article 3 (Dues and Fees), Article 7: Finance Committee, and Article 8 (Annual Audit, Reports and Remittances)

15.2.3. USA Swimming Bylaws Article 8 (LSC Reporting Requirements)

15.2.4. Affiliation Agreement(s) between Utah Swimming and USA Swimming

15.2.5. LEAP Financial Related Requirements

15.3. At least annually, the Finance and Operational Risk Chairs will review current USA Swimming insurance coverage provided to LSC's. They will assess whether the coverage is sufficient. If additional coverage is needed, the Operational Risk Chair will lead the organization to procure coverage. When assessing current coverage, the Finance and Operational Risk Chairs will also determine if any policy changes are. If so, the Operational Risk Chair will work with the Governance Committee to make any needed changes.

## Change Log

| Version | Date | Description of Change/Section(s) | Author or Editor | Authority |
|---|---|---|---|---|
| 1 | 6/9/2020 | New policy. Based on USA Swimming Financial Policies | Shane Lamb and Cathy Vaughan | BOD |