

MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

AUDIT AND FINANCE COMMITTEE MEETING

East Lansing, February 19, 2014

Members Present:

Vic Michaels, Detroit
Jim Derocher, Negaunee
Karen Leinaar, Bear Lake
Pete Ryan, Saginaw

Staff Members Present:

Peggy Montpas
Tom Rashid
Jack Roberts (Recorder)
Kathy Westdorp

2014-15 Budget Preparation Schedule –

Feb. 19 Audit and Finance Committee proposals (including personnel);
March 21 Representative Council approval;
April 23 Audit and Finance Committee proposals (remainder of budget);
May 5 Representative Council approval.

Audit – The audit for fiscal year 2012-13 prepared by the certified accounting firm of Maner Costerisan had been distributed previously, with standard management letters, to all Representative Council members. No concerns were expressed to either the Audit and Finance Committee or staff. The auditors reported that the audit was clean. The MHSAA's finances are strong from a business perspective and its operations are appropriate for its nonprofit status.

The IRS Form 990 for fiscal year ending July 31, 2013, was reviewed and approved by the committee.

Reports/Evaluation – The Audit and Finance Committee reviewed and discussed a summary of accounts and general ledger through Jan. 31, 2014; audited tournament financial reports of direct revenue and expenses for fiscal years 2009-10 through 2012-13; and a comparison of tournaments in fall of 2013 with fall of the four previous years.

The largest net revenue-producing sports, exclusive of overhead, are (in order) football, boys basketball, girls basketball, girls volleyball and ice hockey. Sports that produce the greatest net deficit in terms of direct revenue and expense are (in order) boys tennis, girls tennis, boys golf, girls golf, boys skiing and girls skiing.

Declining tournament attendance at boys and girls basketball after the change in girls basketball season was anticipated by the MHSAA and was one of the motivating factors for planning to develop more and larger alternative revenue sources. This plan was described to the Representative Council during 2007, and a report of slowing progress and a refinement of the plan were presented to the Representative Council on Nov. 30, 2012. A spreadsheet quantified that the trend toward increased revenues from non-tournament sources continued in 2012-13; but there are many indications that it will be difficult to increase revenue from non-tournament sources in 2013-14: revenue from broadcasts and sponsorships will both decline for a second consecutive year.

The committee was provided updates regarding the "Six Buckets" revenue development strategy – namely, Sponsorships, Electronic Media, Game Balls, Royalties, Officials, and Coaches – designed to reduce dependence on tournament ticket sales that has helped the MHSAA freeze District and Regional basketball and football ticket prices for 12 and 11 years, respectively.

The proposed capital budget for 2013-14, report of actual capital outlay through Feb. 11, 2014, and a report of MHSAA office renovations for information systems was shared by management.

Tournament Financial Policies – The committee reviewed MHSAA tournament policies for every level of every sport, and seven staff recommendations for changes. The following will be proposed to the Representative Council:

A. Reimbursement Policies for Finalists in MHSAA Team Tournaments –

1. Change girls volleyball housing to a \$500 per diem for teams traveling more than 75 miles one way when a hotel is necessary and utilized by a team.
2. Add #6 to NOTES: “In volleyball, there is a **\$300** bonus for travel over 200 miles one way at the Quarterfinal level.” (\$400 to \$800 additional total expense each year.)
3. Add #7 to NOTES: “Meals are reimbursable to the established limits only when travel requires and only for the specific meals necessary.”

B. Host Payments for MHSAA Tournaments –

1. Increase host payment for Ski Regionals and Finals to **\$600** minimum (\$2,400 total increased cost per year).
2. Reduce the UP Tennis Final host payment to **\$100** (\$800 total savings each year).

C. Tournament Officials’ Fees – Increase the ski referees’ fee to **\$100** at both Regionals and Finals (\$560 total increased cost per year).

D. Tournament Ticket Prices – Increase the Lower Peninsula Swimming & Diving Preliminaries and Finals ticket price to **\$10** each (\$20,000 additional total gross revenue per year), provided the MHSAA and not the host sites benefit most from this increase.

National Federation Rule Books – Since 2008-09, the MHSAA has provided rule publications to schools and officials on an every-other-year basis at a total annual cost of approximately \$100,000. The committee approved a recommendation to the Representative Council to approve a policy revision that would provide rule books every year to MHSAA registered officials in every sport for which they are registered. This will increase costs by approximately \$20,000 each year.

National Federation – The Representative Council has a policy for National Federation Annual Meeting attendance that accomplishes the dual objectives of assuring Michigan has a presence and voice at the meetings while keeping the expenses for such attendance modest. The policy permits a maximum number of eight Council attendees, and if more than that number of Council members wishes to attend, those who have attended least recently have priority. The executive director determines which, if any, staff will attend based on the content of meetings and the overall cost to the MHSAA. The Audit and Finance Committee approved a recommendation for Council expense reimbursement to the June 28-July 2, 2014 NFHS meeting in Boston.

Financial Procedures – Ongoing finance-related activities of MHSAA staff were reviewed, including: (1) the annual update of the Financial Procedures Manual provided to the committee in August; (2) the twice-yearly Update of Insurance last completed on Jan. 1, 2014; and (3) the annual update of the MHSAA Business Continuation/Emergency Response Plan, which is currently overdue to be completed for 2013-14 – a more comprehensive review is in process, including a review of the new challenges created by social media and also how social media can be utilized positively during emergency situations of all kinds that the MHSAA may face.

Personnel Considerations – The Audit and Finance Committee adopted proposals for the Representative Council’s action in March relative to compensation and benefits for staff for fiscal year 2014-15.