

2023 U.S. Masters Swimming Annual Meeting — Hybrid

Committee Name:	Finance	Session #:	1
Committee Chair:	Guy Davis	Vice Chair:	Jill Gellatly
Minutes recorded by:	Guy Davis	Date/time of meeting:	7pm Eastern 8/29/2023

Actions Requiring Approval by the HOD:

1. None

Motions Passed:

1. Approval of 5.23.23 minutes
2. Approval of FOG changes to be recommended to the BOD

Number of committee members present: 11	Absent: 2	Number of other delegates present: 22
Committee members present: Guy Davis - Chair, Ralph Davis, Teddy Decker - Treasurer Ex-officio, Phil Dodson, Susan Ehringer, Brandon Franklin, Dawson Hughes - CEO Ex-officio, Gary Keehner - Controller Ex-officio, Susan Nolte, Maddie Sibilica, Chris Wagner.		
Committee Members Absent: Jill Gellatly - Vice Chair, Arlene Delmage,		
Guests: Bill Brenner, Bethany Burchill, Ed Coates, Rob Copeland, Nadine Day, Kyle Deery, Barbara Dunbar, Jay Eckert, Jeanne Ensign, Christina Fox, Peter Guadagni, Cheryl Kupan, Crystie McGrail, Helen Naylor, Sandi Rousseau, Ally Sega, Barbara Sloan, Robin Smith, Frank Thompson, Rand Vaillancourt, Meegan Wilson, Ben Wyckoff		

Minutes

The meeting was conducted by Zoom call and called to order at 7:02pm

1. The Chair welcomed the committee members and guests to the meeting.
2. The Chair and Controller provided a brief overview of the budget preparation timeline. This is posted on the USMS web site Annual Meeting page under 2024 Financial Planning. Dates for the FC meetings to review the draft budget will be scheduled following the Annual Meeting to align with the timing of the November BOD meeting.
3. The minutes of the FC meeting of 5.23.2023 were approved.
4. The CEO and Controller commented briefly on the USMS financial results to July 2023 which were previously circulated to the FC as follows:
 - a. 2023 Membership and revenues are below budget primarily due to lower than expected renewals and new memberships in the early part of 2023.
 - b. Event revenues are below budget due to the timing of revenue recognition on certain revenues relating to the national championships. These will reverse in future periods.
 - c. Compensation expenses are below budget because a planned position has not been filled. The activities planned for this position will be covered by other staff coordinating volunteer resources.
 - d. The termination of the office lease will lead to some additional net cost in 2023 but will provide ongoing annual savings of \$45k thereafter.
 - e. Overall lower than budgeted revenues have been offset by cost reductions and the latest financial forecast for the full year is for a net operating deficit broadly in line with the 2023 budget.
5. The CEO is currently preparing a memorandum to the HOD on the 2024 business plan assumptions. This memo is a high level discussion of the key assumptions and business plan initiatives that will determine the 2024 budget. The memorandum will shortly be posted on the USMS web site Annual Meeting page under 2024 Financial Planning. The CEO previewed a number of the key items for the FC and guests. These included assumptions on membership, Olympic year initiatives, compensation trends, and costs savings from the office lease termination and virtual annual meeting. The BOD has approved a budgeted net operating deficit of up to \$150k in 2024, which would represent a significant improvement from the forecasted deficit for 2023. As discussed in the HOD meetings in 2022, it is anticipated that the FC and BOD may

recommend to the HOD (for consideration in the Annual Meeting in 2024) a further fee increase beginning in 2025 to return the USMS financial results to a broadly zero net deficit. If recommended, the amount of any fee increase will reflect membership trends and ongoing inflationary cost increases.

6. Members of the FC noted the divergent way in which the pandemic has affected the financial position of the USMS national organization (“NO”) vs the financial positions of the LMSCs. Overall the NO has seen deficits due to declines in membership while it continued to incur the fixed costs (largely employment and insurance) to provide member services. In contrast, the LMSCs have seen significant surpluses as a result of elimination of many typical costs (e.g. Annual Meeting expenses) while continuing to receive fee revenues. These LMSC surpluses have added to already healthy LMSC financial reserves which now amount to around 4x LMSC annual revenues. Given the current fixed 80/20 ratio split of the USMS fee between the NO and the LMSCs this divergence is likely to grow particularly if future fee increases further add to LMSC surpluses and excess reserves. The CEO is eager to work with the BOD and FC to consider the best ways to rebalance the financial positions of the national and local organizations to ensure an adequate and efficient allocation of resources while minimizing any fee increases to the members with a view to bringing specific proposals to the HOD for approval in 2024.
7. The FC approved a memorandum listing changes to the Financial Policies and Operating Guidelines (“FOG”) to be recommended to the BOD.
8. In early June the FC was briefed by the CEO on confidential discussions underway regarding a possible strategic acquisition opportunity for USMS, Grown Up Swimming (“GUS”). The CEO requested input from FC members in reviewing the GUS opportunity. A subgroup of the FC subsequently met via Zoom with the founder of the GUS and reviewed financial and other information on GUS. Based on this review and ongoing discussions with the CEO, the FC approved in mid-July via email an advisory memorandum to the BOD on the opportunity which supported continuing negotiations with GUS, concluding “The FC is comfortable with the BOD authorizing the CEO to proceed with a letter of intent to develop the proposal into a definitive contract. The FC understands that entering into a contract will be subject to the further formal approval of the BOD at that time and the FC will consider the budgetary implications in the 2024 budget process.” In this meeting the CEO provided a brief further update on progress, noting that it is targeted that discussions be completed by the end of October.
9. Following the conclusion of the FC’s formal agenda, the CEO and FC responded to guest questions. Regarding the digitization of the “Swimmer” magazine, the on-going strategy is to encourage further opt-out from the paper magazine by further enhancing the delivery of digital content to members, including a more continuous flow of the magazine content. The CEO wishes to take care before a complete transition to digital is made because around 50% of members still prefer the paper magazine and to whom it represents an important member value. It was also noted that finding USMS financial reporting on the website is challenging. The FC Chair has noted this topic for review and in the meantime members are invited to ask FC members or the national office for assistance in finding the links to USMS financial reporting online.

The meeting was adjourned at approximately 7:55pm
