

Appendix C

UNITED STATES MASTERS SWIMMING, INC. Financial Operating Guidelines (As amended through 9-13-03)

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I. PURPOSE

The purpose of the Financial Operating Guidelines (“FOG”) manual is to list and maintain in one place all of the operating financial policies and procedures currently in existence in United States Masters Swimming, Inc. (“USMS”). FOG will be updated by the Finance Committee on an annual basis. Copies will be made available to any USMS member through the National Office upon request.

II. BUDGETING

A. Prior [to](#) and as necessary during each annual USMS convention, each member of the Board of Directors and the Chair of each committee shall submit written requests for budget allocations for the coming year and a forecast for the current year to the Finance Committee. (See FOG XII. F. for FOG Budgeting Schedule) A written explanation is required for any revenue or expense account number that is \$1,000 or more than what is in the current year’s budget.

B. After reviewing each budget request submitted, the Finance Committee will prepare the annual budget for USMS and submit same to the House of Delegates for approval at each annual meeting of USMS.

C. Detailing of USMS costs and proposed pricing schedules (including the break-even points) for any revenue-producing project or item for which a budget allocation has been accepted, shall be submitted to the Finance Committee for its approval prior to incurring any financial obligation associated with the production of such project or item.

III. RECEIPT OF MONIES

A. The President, Treasurer and National Office Administrator shall deposit any monies received within 5 business days of receipt. Simultaneous with such deposit, appropriate documentation, including, but not limited to, copies of deposit slips and checks received, shall be forwarded to the Treasurer and Controller.

B. Any USMS monies received by Committee Chair or any other individual shall be forwarded to the President, Treasurer or National Office Administrator within 5 business days of receipt.

IV. DISBURSEMENTS AND REIMBURSEMENTS

A. All requests for disbursements of [USMS'sUSMS'](#) funds, whether budgeted or not, shall be made in writing on a USMS Standard Expense Reimbursement Form to the Controller, after approval by the cost center head, or, in the absence of the Controller, to any member of the Executive Committee other than the Treasurer. [Any reimbursement for personal services provided to USMS by a cost center head or by a company which the cost center head has ownership greater than 5% or controlled by a cost center head must be approved by the cost center head's respective EC representative prior to submission to the Controller for payment. The request for payment must also be accompanied by an IRS Form W-9.](#) No checks shall be issued without approval by the Controller, or in the absence of the Controller, by any member of the Executive Committee other than the Treasurer.

B. The Controller shall not act on requests for reimbursement until documentation supporting such requests in accordance with IRS and/or USMS guidelines has been received. The Controller shall be responsible for maintaining the appropriate documentation supporting each disbursement.

C. Convention Expenses

1. Executive Committee, Controller, and National Sponsor Liaison ¹

¹ Please note that there is an inconsistency currently between our various contracts and letter agreements with employees and independent contractors. Some refer to FOG for guidance on reimbursement procedure and some provide for reimbursement internal to the contract. In the future, these contracts and letter

- a. Actual expenses for travel to and from USMS annual meetings shall be reimbursed by USMS.
- b. Actual lodging expenses while at the convention site shall be reimbursed at ½ of the rate for a double occupancy room, including tax, beginning with the night prior to the day USMS meetings are first scheduled and continuing through the night prior to the last USMS meeting, with the exception of the President who shall have the option of a single occupant room.
- c. All expenses incurred under FOG IV.C.1.a.-b. shall be included in the Convention Committee budget.
- d. Those eligible to be reimbursed shall each directly pay their own expenses incurred under FOG IV.C.1.a.-b., and shall subsequently be reimbursed.

2. Chairs of Standing and Ad Hoc Committees, Webmaster, SWIM Magazine Editor, the Internal Auditor, and Zone Representatives.²

- a. Actual expenses for travel to and from USMS annual meetings shall be reimbursed by USMS.
- b. Actual lodging expenses while at the convention site shall be reimbursed at ½ of the rate for a double occupancy room, including tax, beginning with the first day [USMS Board of Director and/or House of Delegate](#) meetings are first scheduled and continuing through the night prior to the last USMS meeting.
- c. Expenses allowed in FOG IV.C.2.a.-b. shall be reimbursed upon presentation of a copy of supporting documentation to the Convention Committee Chair and the Controller.
- d. All expenses incurred under FOG IV.C.2.a.-b. shall be included in the Convention Committee budget.
- e. If a chair of a standing committee is unable to attend the annual convention, a substitute selected by the committee chair from that committee and approved by the President, shall be reimbursed under the guidelines outlined in FOG IV.C.2.a.-b.

3. The Convention registration fee for all members of the Board of Directors, Controller, National Sponsor Liaison, Internal Auditor, Webmaster and SWIM Magazine Editor is to be included in each member's budget and reimbursed by USMS.

4. The Convention Committee Chair and the Controller may authorize the payment of the approved lodging portion directly to the hotel as set forth in FOG IV.C.1.b. and FOG IV.C.2.b., unless the individual would prefer to pay the entire bill and be reimbursed later.

D. National Championship Expenses

1. Permissible Travel Expenses (defined in FOG IV.F.2.) of the following [individuals](#) incurred at National Long Course and Short Course Championship meets shall be reimbursed:
 - a. President or the next ranking available Officer (if the President is not available);
 - b. National Sponsor Liaison;
 - c. Webmaster.
2. Permissible Travel Expenses (defined in FOG IV.F.2.) of one designated member of the Championship Committee for both pre-meet and meet on-site visits to the location of each of the Short Course and Long Course National Championship meets shall be reimbursed by USMS.

E. International Travel

1. Permissible Travel Expenses (defined in FOG IV.F.2.) for travel to and attendance at FINA World Championships by the USMS President and the USMS-designated FINA Liaison only

agreements should be self contained and should not refer to FOG. The Finance Committee chair shall provide input on such contracts and letter agreements.

² Same as footnote 1 above.

shall be reimbursed by USMS and charged to the annual International Liaison/Delegate and FINA budgets.

2. Permissible Travel Expenses (defined in FOG IV.F.2.) for travel to, and attendance at, the FINA Masters Technical meetings by the USMS designated representative shall be reimbursed by USMS and charged to the annual FINA budget.

3. Permissible Travel Expenses (defined in FOG IV.F.2.), and attendance at, Pan Pacific Championships and/or Masters Pan American Championships by the International Liaison or the USMS designated representative, and the USMS-~~designated~~ FINA Liaison shall be reimbursed by USMS and charged to the annual International Liaison, ~~and~~ FINA Liaison, or the designated representative budget.

4. Expenses for entertaining dignitaries from other nations' Masters delegations by the USMS President and the International Liaison or the USMS-designated FINA Liaison at FINA World Championships, Pan-Pacific Championships and/or FINA Masters Technical meetings shall be reimbursed by USMS up to an amount not to exceed either

- a) \$40.00 per guest per social event or trip, or
- b) The total amount designated in the annual budget for such entertainment.
- c) The cost of gifts to be presented to dignitaries from other countries' Masters swimming organizations is also reimbursable.

F. Miscellaneous Reimbursement Policies

1. Members of USMS Committees shall be reimbursed for expenses incurred in the performance of their duties, subject to limitations contained elsewhere in this Section.

2. Permissible Travel Expenses-These policies apply to all types of travel unless specifically modified by another section of FOG. Travel reimbursements are always limited to actual expenditures to destinations outside the traveler's home area that would generally require overnight stays (even if none occurs).

All travel must be fully documented with receipts and a description of the business purpose of the travel.

a. Transportation-USMS will reimburse actual expenses for transportation to and from the travel destination including reasonable costs for transportation to and from airports (including parking). The lowest logical coach airfare shall be used when air travel is required to the destination. USMS will not provide reimbursement for travel costs of a companion.

b. Lodging-USMS will reimburse for actual lodging expenses at the lowest available room rate. USMS will not reimburse for any auxiliary charges such as, but not limited to, movies, room service, phone, pets, damages or valet services

c. Meals, board or any other type of entertainment as defined by the Internal Revenue Service Code is not reimbursable.

d. Whenever FOG allows for payment of airfares, alternative methods of transportation are allowed. Under no circumstances shall reimbursement for any method of transportation allowed under C, D, and E of this section exceed the combined cost of the lowest available coach airfare between the person's home city and the approved destination and destination airport shuttle bus or cab transfer expenses.

e. Reimbursement for personal auto use for such purposes shall be at no more than the annual applicable Federal IRS standard nonprofit mileage reimbursement rate or the actual gasoline receipts (and tolls if applicable) for the approved trip, whichever is lower.

f. Any USMS member incurring permissible travel expenses shall be reimbursed by USMS only to the extent not reimbursed by other parties, including, but not limited to, FINA, LMSCs, grants, and travel agents.

3. Expenses for meals incurred by the National Sponsor Liaison in carrying out the directives of the Executive Committee in business dealings with current and/or potential vendors shall be reimbursed up to an amount not to exceed the lesser of:

a) \$40.00 per guest per social event, or

b) The total amount designated in the annual budget for such entertainment.

4. Communications- USMS will reimburse the direct cost of any phone calls made on its behalf including allocable taxes. Access charges and base service charges are not reimbursable. Reimbursement for dedicated phone lines and internet charges or electronic mail will only be made upon advance approval by the President.

5. The Controller may, upon the receipt of a request, in writing, from the chair of the Finance Committee and the Treasurer, authorize payments for routine recurring expenses that have been budgeted without the necessity of requesting or receiving a Reimbursement Request approved by the cost center head required in IV.A. Such consent shall be renewed on an annual basis.

G. Additional travel, not referred to elsewhere in FOG, by the Internal Auditor, YMCA Liaison, USA Swimming Liaison, and Sponsor Liaison is subject to the general travel policies of USMS and must be approved in advance by the President. Others, not referred to elsewhere in FOG, on USMS official business are subject to the general travel policies of USMS and must be approved in advance by the President.

H. The commitment or use of any funds from the "Miscellaneous/Contingency" budget shall be approved in advance by a majority of the Executive Committee.

V. OVER-BUDGET PROCEDURES. Authorization to exceed original budgeted line item amounts, or to make an expenditure not included in the approved budget, is granted pursuant to the following procedures:

A. Authorization to exceed budgeted line item amounts is required in advance of incurring the expenditure pursuant to the relevant paragraph(s) of V.D.-V.G below.

B. Authorization to make an expenditure not included in the original budget for any one fiscal year is required in advance of incurring the expenditure, pursuant to the relevant paragraph(s) of V.D.-V.G below.

C. Authorization to hire/engage personnel, should such hire-engagement result in the expenditure of USMS monies not included for such personnel in the original budget for any one fiscal year, is required in advance, pursuant to the relevant paragraph(s) of V.D.-V.G below.

B-D. Up to a cumulative ~~total~~ total amount of \$500 in any one year may be approved for payment by the Controller.

C-E. A cumulative amount in excess of \$500 but not more than \$2,500 in any one year may be approved for payment by the Controller following approval by a majority of the members of the Finance Committee.

~~D. F.~~ A cumulative amount in excess of \$2,500 but not more than \$5,000 in any one year may be approved for payment by the Controller following approval first by a majority of the members of the Finance Committee and then by a majority of the members of the Executive Committee, in that order. Should there not be a majority vote of the members of the Finance Committee in favor of the expenditure, it will then take a two-thirds favorable vote by the members of the Executive Committee to approve the expenditure.

~~E. G.~~ A cumulative amount in excess of \$5,000 in any one year may be approved for payment by the Controller following approval by a majority of the members of the Finance Committee, a majority of the members of the Executive Committee, and a majority of the Board of Directors, in that order. Should there not be a majority vote of the members of the Finance Committee in favor of the proposed expenditure, it will then take a two-thirds favorable vote by the members of the Executive Committee to approve the expenditure before submitting the proposal to the Board of Directors, which then must also approve the proposed expenditure by a two-thirds favorable vote by a majority of its members.

~~F. H.~~ The approvals, or a summary thereof, obtained pursuant to V.B.-E. ~~-G.~~ above, shall be submitted in writing by the Chair of the Finance Committee to the Controller prior to the disbursement of funds.

~~G. I.~~ For expense items whose budgeted amount is based on the number of registered swimmers or a number of units sold, proportional expense overruns directly attributable to actual volume exceeding assumptions made for budgeting purposes are exempt from the requirements of FOG Paragraph V.

~~H. J.~~ All new funding and overbudget spending since the last annual meeting shall be included in the minutes of the Finance Committee.

VI. VENDORS, BID PROCESS, AND VENDOR PAYMENTS

A. Budgeted Items

1. A minimum of three competitive bids is required for any single expenditure in excess of \$1,500, unless fewer than three vendors are available to bid.
 - a. Once approval of the budget allocation has been received in accordance with FOG VI.A.-B., the spending entity shall solicit written bids that meet the requesting party's written specifications ~~from at least three competing vendors.~~
 - b. Following selection of a vendor, the spending entity shall submit all documentation concerning the bidding process to the Controller.
2. If fewer than three vendors are available or suitable to bid, the requesting party must present the reasons supporting the bid process used to the Executive Committee, along with recommendations for approval. Such approval shall be submitted in writing to the Controller prior to the disbursement of any funds.
3. Nothing in the guideline shall be construed as meaning that the low bid must be accepted. However, if the low bid is not selected, then reasons supporting the choice of another bid must be presented to the Executive Committee, along with the requesting party's recommendations for approval. Such approval shall be submitted in writing to the Controller prior to the disbursement of any funds.
4. Nothing in this guideline shall be construed as precluding negotiations between USMS and a successful bidder in an attempt to improve a contract to the benefit of USMS.

B. Vendor Payments

Vendors shall be notified at the time an order is placed to direct all invoices to the

National Office Administrator at the National Office. The National Office Administrator shall confirm the order and receipt of items ordered with the authorizing cost center head, immediately forward the invoice to the cost center head for approval, and then the cost center head shall forward the invoice to the Controller for payment.

VII. INSURANCE

A. Bonding

The Following Individuals shall be bonded in the amount of \$1,000,000 each:

1. The President, Treasurer, Controller, National Office Administrator, the Long Distance Committee Chair, the Championship Committee Chair, and
2. The Chair, Treasurer, and Registrar of each of the Local Masters Swim Committees ("LMSCs") that are in compliance with FOG IIB, ~~shall be bonded in the amount of \$1,000,000 each.~~

VIII. INVESTMENTS AND RESERVES

A. Investments

1. The general guidelines and philosophical considerations for the management of cash held in the Treasury of USMS are:
 - a. \$150,000 shall be maintained as a general reserve fund.
 - b. \$120,000 shall be maintained as a reserve fund specifically for the payment of the liability insurance deductible.
 - c. Cash in excess of the reserve funds in VIII.A.1.a and b plus 50% of ~~USMS's~~USMS' total of budgeted expenses for the current fiscal year may be invested in one or more U.S. bond mutual funds according to the following guidelines:
 1. No commission or load of any kind (front end, back end, or level) may be paid.
 2. The bond fund(s) must invest in bonds with an effective average duration of not more than five years.
 3. The bond fund(s) must invest in bonds with an average credit quality of not less than A.
 - d. Cash, approximately equivalent to 3 months' expense requirements, should be kept in accordance with the guidelines of FOG VIII.A.1.e. below.
 - e. The following investment vehicles are acceptable to USMS for the investment of its cash balances:
 - (1) Checking accounts in U.S. banks offering the appropriate federal deposit insurance;
 - (2) Money market funds offered by one of the following companies: Piper Jaffray, Merrill Lynch, Fidelity, T. Rowe Price, ~~Salomon~~Smith Barney, Vanguard, and Bank of America.
 - (3) In addition, the Treasurer is hereby granted specific authority to maintain funds of USMS in an amount not to exceed \$10,000 in financial institutions which do not meet the requirements set forth in VIII.A.1.e.(1) and VIII.A.1.e.(2). This exception is granted to facilitate the transfer of funds between the operating disbursement accounts and the longer-term investments.
 - (4) On an annual basis the Finance Committee will review the list of firms approved in VIII.A.1.e.(2) for continued inclusion or replacement.
 - (5) USMS and any of the LMSCs may own obligations consisting of U.S. dollar-denominated investments meeting any of the following:
 - a) Marketable, direct obligations of the United States of America maturing within one year from the date of acquisition thereof;

b) Prime commercial paper maturing within one year from the date of acquisition thereof, and at the time of acquisition, having a rating of A-1 or higher by Moody's Investor Service, Inc, or F-1 or higher by Fitch; and
c) Interest-bearing certificates of deposit maturing within one year from the date of acquisition thereof issued by a commercial bank organized under the laws of the United States of America or any State, thereof having total assets of not less than \$1,000,000,000. Such certificates of deposit shall not exceed \$100,000 from any one bank.

B. Common stocks, preferred stocks, option devices, obligations denominated in foreign currencies or derivative products are not considered appropriate financial instruments for USMS or any of its LMSCs.

C. The authorized signers on all USMS'sUSMS' bank and investment accounts shall prepare and sign a letter directing each such institution where USMS has an account to send the original of each statement or statements for such accounts, together with all checks and/or records of trades and/or transfers made, to the Controller. A copy of all statements and/or records of trades and/or transfers made shall be provided to the Treasurer.

IX. PROPERTY AND EQUIPMENT

A. All property and equipment of USMS shall be retained by the person into whose custody it is given for the purpose of facilitating the work of USMS. If the person's assignment within USMS changes or he/she no longer has use for the equipment, it will be made available to his/her successor or others in USMS who may have a need for the equipment.

B. USMS equipment which is obsolete and not needed by any Board member or other USMS position may be sold. The priority is to make productive use of the property within USMS. However, consideration may be given to the age of the equipment, its replacement value, its maintenance cost, and cost of shipping.

C. Equipment sales are also subject to the following conditions:

1. All equipment sales must be approved by the USMS President and billed by the Controller.
2. When USMS equipment is to be sold, the sales price will be the greater of the fair market value of the equipment or \$25.

X. USMS FINANCIAL REPORTING

A. Controller

1. The Controller shall utilize a commercially available general ledger accounting software package.
2. On a quarterly basis the Controller shall supply to all spending entities a year-to-date listing of all items charged to his or her budget.
3. The Controller shall maintain a property and equipment log showing:
 - a. The date purchased
 - b. Original cost and depreciation schedule
 - c. Description of the equipment together with serial numbers

B. Miscellaneous Reporting

1. All financial records of USMS shall be submitted to the Internal Auditor ~~or Committee~~ within five calendar months after the close of USMS'sUSMS' fiscal year-end.
2. All individuals and committees who are responsible for items carried on USMS'sUSMS' financial records as inventory shall maintain proper inventory control records.

XI. LOCAL MASTERS SWIM COMMITTEES (LMSCs)

- A. Each LMSC shall produce annual financial statements consisting of at least an income statement and a balance sheet, based on sound accounting principles. LMSC financial statements may be prepared more often than once per year for LMSC use.
- B. Each LMSC should use the same fiscal year as USMS, which is a calendar year.
- C. As required by USMS Code of Regulations and Rules of Conduct, a copy of each LMSC's annual financial statements shall be sent to the USMS National Office within 4 months after its year-end.
- D. Any LMSC with annual gross receipts normally in excess of \$25,000 must file a tax return for that tax year, with a copy to be sent to the USMS National Office. All LMSCs are reminded that income unrelated to exempt activities may be taxable. Any organization's gross receipts are considered to be normally in excess of \$25,000 if the organization is:
1. Up to a year old and has received more than \$37,500 in gross receipts during the first year;
 2. Between one and three years old and averaged more than \$30,000 in gross receipts during each of its first two tax years; or
 3. Three ~~or more~~ years old or more and averaged more than \$25,000 in gross receipts for the immediately preceding three years (including the year for which the return would be filed).
- E. Any LMSC which makes payments in excess of \$600 in any fiscal year to any individual for services rendered shall issue an IRS Form 1099-MISC to that individual. Reimbursement of out-of-pocket expenses is not considered to be payments for services rendered.
- F. It is recommended that each LMSC maintain all financial statements and records, including receipts, bank statements, and supporting documents for revenues and expenses for a minimum of three years, and possibly for as long as seven years, after the tax filing deadline for each year.
- G. It is recommended that each LMSC's financial records be reviewed occasionally by someone other than the LMSC's Treasurer, such review to include:
1. Verification of bank balances
 2. Sample review of revenues
 3. Documentation for expenses
- H. It is recommended that the functions of Treasurer and Registrar not be performed by the same person.

XII. MISCELLANEOUS

- A. The giving of gifts and awards is appropriate and consistent with the purposes of USMS and shall be encouraged.
- USMS shall donate ~~\$.25 per registered swimmer per year~~ an amount to be determined annually by the Finance Committee and approved by the HOD in the budget to the International Swimming Hall of Fame, ~~payable as invoiced~~.
- C. The prices of items sold to individuals, not for resale, shall be established at no less than the cost of the items plus mailing costs, rounded up to the nearest \$1.00.
- D. The President or the President's appointee shall negotiate contracts or agreements between USMS and sponsors, independent contractors and employees for goods and/or services for which budget approval has been obtained. Proposed contracts or agreements shall be reviewed by a representative of the Finance Committee, appointed by the Finance Committee Chair, prior to execution.

E. No Officer, Committee Chair, subcontractor, employee or other official of USMS shall accept any gift, meal or service with a value of more than \$25 (annual cumulative total of \$200) from any vendor, bidder, or sponsor. This policy does not preclude participation in large, sponsored events or acceptance of items made widely available.

F. FOG Budgeting Schedule:

1. May 1. Cost centers heads receive budget request form from Finance Committee Chair.
2. June 1. Cost centers heads send budget request forms with their budget request for the coming year and their forecast for the current year to Executive Committee Liaison.
3. July 1. Executive Committee Liaison sends budget request forms to Finance Committee Chair.
4. August 15. Finance Committee Chair will distribute preliminary budget for the coming year and forecast for current year and copies of budget forms to Finance Committee members and National Office.

G. Emergency/Disaster Over Budget Procedure

In the event of an unanticipated occurrence which substantially inhibits or prevents the performance or maintenance of a necessary function of USMS, whether such occurrence relates to personnel or equipment, and delay in responding to such unanticipated occurrence will be damaging to the best interests of USMS and its members, then any two (2) members of the Executive Committee may authorize the expenditure of such funds as may reasonably be necessary to address the unanticipated occurrence. As soon as practical thereafter, such officers shall communicate in writing the substance of the unanticipated occurrence and their reasons for proceeding to the Finance Committee, the Executive Committee and the Board of Directors and thereafter such expenditure(s) to the extent that it exceeds budget, shall be subjected to the applicable over budget procedure.