

2021 U.S. Masters Swimming Annual Meeting — Virtual

Committee Name:	Finance Committee	Session #:	1
Committee Chair:	Guy Davis	Vice Chair:	Jill Gellatly
Minutes recorded by:	Guy Davis	Date/time of meeting:	8:00pm ET, 8/24/2021

Actions Requiring Approval by the HOD:

1. None

Motions Passed:

1. **MSA: Approve meeting minutes of 07/26/21 meeting.**

Number of committee members present: 13	Absent: 1	Number of other delegates present: 5
Committee members present: Guy Davis - Chair, Jill Gellatly - Vice Chair, Ashley Braniecki, Ralph Davis, Teddy Decker - Treasurer-Ex-officio, Elyce Dilworth, Phil Dodson, Jeanne Ensign, Brandon Franklin, Homer Lane, Susan Kuhlman Parker - CFO-Ex-officio, Laura Winslow.		
Committee Members Absent: Tom Boak		

Minutes

The Zoom meeting was called to order at 8:04pm

1. Roll call was taken from the Zoom meeting participants list. The Chair welcomed attending delegates to the meeting. No conflicts of interest were declared.
2. **MSA: Approve meeting minutes of 07/26/21 meeting.**
3. By way of introduction to the review of 2021 Q2 financial performance, the financial forecast for 2021, and the initial business planning and budget assumptions for 2022, the Chair provided a brief history and overview of USMS budgeting and financial performance in 2020 and 2021, noting a number of the unusual factors and uncertainties for financial planning that the pandemic has engendered. Against that background, the 2022 business plan looks forward to returning to more normal levels of events and other program activities and to continue to rebuild membership levels to recent historical levels.
4. Susan and Dawson presented and discussed key elements of the USMS financial performance in 2021 and the forecast for the full year 2021.

Because of the considerable (largely pandemic related) uncertainty in membership forecasts when the 2021 budget was approved in November 2020, significant revisions to the budget in a Revised Plan for 2021 were approved in the first quarter of 2021 when there was more clarity about likely membership levels. The original 2021 budget was based on a membership of 40,000 and projected a net operating deficit of \$552k. With somewhat more favorable membership trends than originally budgeted, the Revised Plan was based on a membership of 42,500. In addition, in early 2021 a forgivable loan was granted under the second round of the Federal PPP program for \$275k. This meets the qualifications for forgiveness by the lender under the terms of the PPP and, like the first PPP loan granted to USMS in 2020 under the first round of the program, is expected to become grant income to USMS upon forgiveness. The higher membership levels also provided for a \$100k increase in projected partnership income. Offsetting these revenue increases were a number of approved overbudget expense increases (notably in payroll, marketing and communications) resulting in a net improvement in the net operating deficit to \$243k (a net improvement of \$309k). For the remainder of 2021 USMS is primarily measuring its financial performance vs this Revised Plan and Susan and Dawson commented primarily on the differences between the 2021 forecast and the Revised Plan in their presentation.

The forecast for 2021 shows a further improvement from the Revised Plan from a net operating deficit of \$243k to a net operating deficit of only \$25k. Susan and Dawson highlighted a number of points from their report including:

- further improvements in membership to a projected 48,000 (the most significant contributor to overall improvement).
- adverse variance in compensation costs due to earlier implementation of planned staffing increases
- increase in event revenues and costs due to SCY and LCM nationals being held, but with little net effect on operating income

- increases in insurance costs due to increased membership. Also, increases in market insurance rates that will likely adversely affect insurance costs from October 1, 2021 when policies are renewed.
 - the 5 year “digital transformation” plan is reaching its conclusion in 2022, with a projected total cost of \$75k over the original approved spend, but with significant increases in scope (eg swim.com integration, enhanced club registration data capture, payroll management capabilities). The increased scope will provide some future savings and enhanced capability to manage marketing initiatives like “try masters swimming”.
 - Susan noted that because some of the digital transformation costs (already paid) were capitalized for accounting purposes, 2022 will be the peak year of depreciation of these capitalized costs. Depreciation is projected to be \$224k in 2022 (a non-cash expense on the income statement) and will decrease thereafter
5. Susan and Dawson then moved on to present the initial budget assumptions based on the draft 2022 Business Plan. Key points summary:
- Membership projected at 52,500, in part based on an expectation that as the pandemic recedes retention rates will return in 2022 to recent historic rates of 67.5% after the low rate of 65% in 2021
 - Fees assumed to remain unchanged. (To be approved by the HOD)
 - Implementation of new USMS + membership package
 - Digital transformation: see discussion under 4. above
 - Club development plan assumed budget of \$50k. Focus on 10-15 specific initiatives with the goal of developing a scalable approach which can be more aggressively resourced in 2023 and beyond
 - Events program returns to normal. Continuation of temporary surcharges applied in 2021 to ensure lower attendance events were well resourced to be determined.
 - Increased emphasis on focused digital marketing initiatives using enhanced digital capabilities
 - 10% increase in partnership revenues over 2021
 - Supporting college clubs to reopen following pandemic disruption
 - preliminary assumptions on compensation and benefits - these are yet to be recommended by Comp and Benefits committee
 - Insurance costs, see discussion in 4. above
 - In person “volunteer summit” to be held in 2022. Details to be determined
 - National office going “back to the office” in 2021 and 2022, but cost savings from reduced office space
 - Depreciation: see discussion in 4. above
 - Investment transfer of \$144k approved by the Investment Committee, calculated in accordance with USMS’s financial and investment policies
 - Preliminary operating deficit of approx \$350k. Note that this includes \$224k of depreciation/non-cash cost as discussed above
6. In discussion of the forecast and the initial budget assumptions, Finance Committee members raised a number of questions and observations about the financial forecast and the budget assumptions, including:
- it is appropriate to be cautious about the treatment of the second round PPP loan as a grant until it is actually forgiven, despite the precedent of the first loan. Susan confirmed after the meeting that the loan forgiveness application will be submitted by the end of 2021.
 - the projected 8% increase in membership in 2022 is higher than historical ranges, so additional consideration of the factors underlying this assumption deserves further scrutiny even recognizing the hope that membership has potential to return to pre-pandemic levels as the pandemic disruptions recede. A trend analysis of longer term membership trends to assist in this review was requested
 - a review of the performance of new membership initiatives such as “try masters swimming” (TMS) would be valuable to inform future digital marketing initiatives and other targeted new member campaigns. Dawson noted that a detailed review of TMS should be available by Nov, and that the analysis thus far indicates that the campaign was successful in generating incremental membership. This is in combination with reduced pandemic related restrictions, returning events and excitement around the Olympics. Early returns suggest that, although the campaign targeted new masters swimmers it was also successful in reconnecting with prior members and those that had not yet renewed in 2021 such as being effective in prompting renewals by former members as well as recruiting new first-time members.
 - has USMS looked into the possible advantages of benefits partnerships such as the recent agreement between USAS and US Equestrian to provide health benefits to coaches? Dawson is looking into this, but on first review it did not seem to have application to USMS
 - there was a discussion about how the financial and business plans should best be communicated with the wider USMS House of Delegates, providing an appropriate balance between how the business plans will deliver the USMS mission and an explanation of the financial plan underlying the business plan
 - a trend analysis of employees and related costs was requested
7. The next meetings of the Finance Committee will take place after the Annual Meeting and will focus on continued development of the 2022 budget. Dates and times will be agreed to by email.

8. The FC thanked Dawson and Susan for their presentations. Attending delegates were given an opportunity to ask questions of the FC and thanked for their attendance.

Tasks for the Upcoming Year

1. Continue to work with the NO and the BOD on the development of the 2022 USMS budget and review of budget requests.

The meeting was adjourned at 9:35pm
