

MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

AUDIT AND FINANCE COMMITTEE MEETING

East Lansing, February 24, 2021

Members Present:

Scott Grimes, Grand Haven
Vic Michaels, Detroit
Karen Leinaar, Bear Lake
John Thompson, Brighton

Staff Members Present:

Andy Frushour
Peggy Montpas
Tom Rashid
Mark Uyl (Recorder)
Kathy Vrugink Westdorp

2021-22 Budget Preparation Schedule –

Feb. 24 Audit and Finance Committee Proposals
April 21 Additional Audit and Finance Committee Proposals and Review
May 3 Representative Council Approval

Audit – The audit for fiscal year 2019-20 prepared by the certified accounting firm of Maner Costerisan had been distributed previously, with standard management letters. 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 committee discussed and approved the annual submission of IRS Form 990 for fiscal year ending July 31, 2020.

Reports/Evaluation – The Audit and Finance Committee reviewed and discussed a summary of accounts through Jan. 31, 2021, along with a summary of fall tournament finances. An update was provided on the Payroll Protection Program from the Federal government in which the MHSAA was a qualified participant in the spring of 2020 and the winter of 2021. During COVID, the MHSAA has secured a line of credit from PNC, and a summary of that credit line was provided to committee members, including the proposed payment schedule.

Winter Tournament Financials – The committee reviewed financial data in the sports of basketball, bowling, competitive cheer, ice hockey, wrestling and gymnastics in terms of guaranteed expenses to host sites and various models of revenue sharing.

Motion by Scott Grimes, supported by John Thompson, to adopt the staff recommendation that host sites receive 10 percent of revenue after guaranteed expenses have been paid, team financial reimbursements remain suspended, and staff has the authority to reset Final ticket prices if needed. Adopted.

Budget Planning for 2021-22 – The budget process is challenging for 2021-22, given the uncertainty that currently exists with COVID and the current MDHHS limits on crowds and gatherings. In normal years, 76 percent of MHSAA revenue comes directly from ticket sales at tournament events. In looking forward to the next fiscal year's budget process, it is anticipated that staff salaries remain frozen for the third consecutive year. Consideration will be given to increasing ticket prices from \$6 to \$7 in 20-21 prior to the next meeting of the Audit and Finance Committee in April which would generate significant additional revenue. Given the deficit in 2019-20, and the anticipated deficit again in 2020-21 due to challenges of the pandemic, the association must consider ticket price increases to improve our financial position in the years ahead. Budget preparations also include further delays in capital purchasing of hardware and building improvements and an anticipated reduction in corporate sponsorships. While not included in budget projections, we do anticipate an increase in officials registrations, given the challenging post-epidemic economy.

Once winter tournament financial numbers become more certain, MHSAA staff will update the Audit and Finance Committee more frequently ahead of the next meeting of this committee on April 21, 2021 on the budget goals and plans for 2021-22. There will be more action items on the April agenda than in past years because of the fluid nature of COVID, spectator limits and the financial implications of those challenges.

Financial Procedures Manual – The Audit and Finance Committee approved the updated Financial Procedures Manual that is a formal document relative to the financial operations of the MHSAA and its mission. The manual supports the internal operations of the MHSAA at the direction of the executive director and the Representative Council.

National Federation – The Representative Council has a policy for National Federation Annual Summer 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, with the president's discretion, a maximum number of eight Council attendees. If more than that number of Council members wish 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 will revisit the topic of National Federation Summer meeting attendance and costs in April.

Next Meeting – April 21, 2021, at 9 a.m. in East Lansing.