

MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

AUDIT AND FINANCE COMMITTEE MEETING

East Lansing, February 20, 2019

Members Present:

Scott Grimes, Grand Haven
Vic Michaels, Detroit
Karen Leinaar, Bear Lake
Steve Newkirk, Clare

Staff Members Present:

Peggy Montpas
Tom Rashid
Brent Rice
Mark Uyl (Recorder)
Kathy Vrugink Westdorp

2019-20 Budget Preparation Schedule –

Feb. 20 Audit and Finance Committee proposals (including personnel);
March 22 Representative Council approval;
April 23 Audit and Finance Committee proposals (remainder of budget);
May 6 Representative Council approval.

Audit – The audit for fiscal year 2017-18 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 committee discussed the annual submission of IRS Form 990 for fiscal year ending July 31, 2018.

Reports/Evaluation – The Audit and Finance Committee reviewed and discussed a summary of accounts and general ledger through Jan. 31, 2019; audited tournament financial reports of direct revenue and expenses for fiscal years 2014-15 through 2017-18; and a comparison of tournaments in the fall of 2018 with the fall of the five previous years; sources of revenue over the past three years, a closer look at sources of non-tournament revenue, and a 34-year history of annual operating profits or deficits. The committee also reviewed current sponsorship data, and staff reported optimism that the 2018-19 sponsorship revenue goals will be met. In general, the fall of 2018 has had better financial performance than in 2016 and 2017. One area of note is that tournament revenue from this fall was 5 percent below the fall revenue budget goal.

Ticket Prices – In May of 2018, the Representative Council approved last April's Audit and Finance Committee recommendation to increase District and Regional ticket prices from \$5 to \$6, which was the first District and Regional price increase in well over a decade. Also approved last May were increases to Quarterfinal Basketball, Semifinal Football and Semifinal Soccer ticket prices in 2019-20. The Audit and Finance Committee had a good discussion on additional options presented by staff to potentially increase revenue in other sports at the Quarterfinal, Semifinal and Final levels. Staff will continue to monitor revenue goals for winter sports, and this topic will be revisited by the Audit and Finance Committee in April as winter financial reports will provide direction in making ticket price decisions for 2019-20. The escalating costs of some non-school venues were also discussed as having an impact on future ticket prices.

Officials – The Audit and Finance Committee approved three items relative to officials registration, tournament compensation and tournament mileage reimbursement. Approved items included an increase in the basic processing fee from \$35 to \$40, along with an increase of \$1 to the registration sport fee. A package of officials tournament fee increases was approved, along with an increase in the tournament mileage rate from 20¢ to 30¢ per round-trip mile after the 50-mile deductible. These items will move to the full Representative Council for consideration in March.

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 approved a recommendation for Council expense reimbursement to the June 28-July 2, 2019 NFHS meeting in Indianapolis, IN.

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 2019-20.