

Board of Directors Committee Reports and Agendas

Audit

Committee Members

Elyce Dilworth, Chair; Teddy Decker, Vice Chair
Phil Dodson, Jeanne Ensign, Jill Gellatly, Laura Winslow
Ex-Officio: Ralph Davis, Susan Kuhlman

Introduction

The Audit Committee's primary responsibility is to monitor the reliability and integrity of the financial statements of United States Masters Swimming, Inc. (USMS), monitor compliance with legal and regulatory requirements, monitor and evaluate the effectiveness of the organization's operating systems, and monitor the independence and performance of USMS's external auditors.

With regard to the 2015 audit, USMS received an "unmodified" opinion from Kerkering, Barberio & Co. (K&B). An "unmodified opinion" is one that is free of material financial statement errors.

Discussions and Projects Since Last Convention

1. Reviewed and recommended approval of the 2015 audited financial statements to the BOD. Included annual meeting of members with K&B in Sarasota.
2. Reviewed and recommended approval of the Form 990 tax forms for the year ending December 31, 2015.
3. Executive Summary report provided to BOD for July mid-year meeting. The report included the results of the 2015 audit process and findings.
4. Updated Audit Committee Charter and reviewed Conflict of Interest Policy

Action Items

1. Recommend to Finance Committee changes to FOG, if any.

Audit Committee Meeting Agenda Friday 8:00am – 9:15 am – Auburn

1. Review changes to FOG, if any
2. Discuss status of IT infrastructure review
3. Discuss Treasurer's role and responsibilities

505.3.4 The treasurer shall:

- A Be the custodian of all corporate funds
- B Oversee the receipt of all USMS funds and all deposits to the accounts of USMS.
- C Oversee the disbursement of USMS funds as authorized in accordance with the budget.
- D Invest USMS funds in a prudent manner for the benefit of USMS, in accordance with the investment policies established by the Board of Directors.
- E Oversee the maintenance of accurate and reliable financial records that document the receipt and disbursement of USMS funds.
- F Ensure that internal accounting controls are in place to protect USMS assets.

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Compensation and Benefits

Committee Members

Ed Coates, Chair; Sarah Welch, Vice Chair
Hill Carrow, Erika Braun, Jim Miller
Ex-Officio: Patty Miller

Introduction

The Compensation and Benefits committee advises the Board of Directors on compensation and benefits programs for USMS staff.

Discussions and Projects Since Last Convention

Advised Board on compensation issues during hiring process for new CEO
C&B chair presented compensation overview to Board at winter meeting
Review and recommend CEO bonus goals

Action Items

1. Committee recommended approval of 2016 CEO goals by the Board of Directors.
2. All items recommended to the board were approved

Compensation and Benefits Committee Meeting Agenda

1. Open discussion
2. Preliminary review of 2016 goals results
3. Review Board Survey results
4. Discuss what support board may need for annual CEO compensation review
5. Discussion of 2017 bonus goals
6. Review Committee charter

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Finance

Committee Members

Jeanne Ensign, Chair; Harry Greenfield, Vice Chair

Jon Blank, Tom Boak, Elyce Dilworth, Phil Dodson, Laszlo Eger, Jack Groselle, Peter Guadagni, Homer Lane, Sarah Welch, Laura Winslow

Ex-Officio: Ralph Davis, Treasurer; Susan Kuhlman, CFO

Introduction

Finance Committee is a permanent Committee of the Board of Directors (“BOD”). Its responsibility is to propose policies pertaining to the financial affairs of USMS for approval by the BOD, to receive and review the reports of the Treasurer and National Office and to review and recommend to the BOD the annual operating and capital budgets prepared by the National Office.

Discussions and Projects Since Last Convention

The committee met during the year by conference call, and will meet to discuss the 2017 budget in the weeks leading up to convention. During the year committee members:

1. Reviewed and discussed monthly financial reports, final 2015 operating results and 2016 quarterly forecasts prepared by the CFO.
2. Reviewed and suggested edits to mandatory and target Financial Standards in the draft LMSC Standards document from the LMSC Development Committee.
3. Amended the Financial Policy, which defines the roles and responsibilities for handling USMS’ financial assets and contains the charter for the Finance Committee, to change the size of Finance Committee to a minimum of 10 members (from 12) to a maximum of 12 (previously unlimited). Housekeeping changes were included. The BOD, at their Summer Meeting, approved the proposed changes to the Financial Policy. The policy will be posted in the minute’s section of the USMS website.
4. Amended FOG and submitted to the BOD for consideration at the Summer Meeting. Summary of policy changes: a) added reimbursement for meals at annual meeting for national level volunteers required to attend: a flat fee of \$115 for BOD members and \$90 for Chairs of Standing, Board and Ad Hoc Committees and Zone Chairs; b) refined travel reimbursement procedures for the CEO and Volunteers; c) authorized the Treasurer, in addition to the CEO, to pre-approve preparation of checks or payments by direct bank debits; d) increased the maximum amount the CEO or staff can be reimbursed for business dealings from \$50 to \$75 per guest per social event; e) added an Operating Reserve Ratio of a minimum of six (6) months (see separate item); and f) added an Opportunity Reserve (see separate item). Housekeeping changes were included. The BOD, at their Summer Meeting, approved the proposed changes. The policy and an executive summary will be posted in the minute’s section of the USMS website.
5. Created a new Reserve Funds Policy regarding the use of USMS’ Operating Reserves. We have historically had more than adequate reserves so the idea was raised that some of our accumulated resources should be separately designated to allow USMS to provide seed funding for new ideas or innovations. The proposed policy has four key components: 1) it designates two types of Reserve Funds: an Operating Reserve and an Opportunity Reserve; 2) it defines the Operating Reserve Ratio computation and sets a threshold level of six months to be monitored on a quarterly basis and steps to be taken if we fall below this threshold for two consecutive quarters; 3) it defines how requests to use the Opportunity Reserve should be submitted and ultimately approved; and 4) it recommends that based on the USMS current financial circumstances that the Opportunity Fund start with a balance of \$600,000. The policy has the potential to allow discussion to be centered on the merits of a project rather than how it will be funded, and for the most part take the balanced budget vs. deficit budget discussion off the table. The BOD, with minor edits, approved the proposed Reserve Funds Policy. The policy and an executive summary will be posted in the minute’s section of the USMS website.

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6. Drafted amendments to the Cash Receipts section of the Manual of Accounting Procedures (“MAP”). The National Office staff uses MAP internally and because it is a procedure, not a policy, the document was approved in Committee.

Action Items

1. Approval of minutes of meetings since prior convention
2. Review of over budget requests since prior convention
3. Approval of 2017 budget

Finance Committee Meeting Agenda

Meeting #1 – Wednesday 4:00pm – 5:30pm – Centennial IV

Meeting #2 – Thursday 11:30am – 12:30pm – Fairlie

Meeting #3 – Friday 9:30am – 10:30am - Techwood

1. Welcome and Introductions
2. Approve meeting minutes since prior convention
3. Review over budget requests since prior convention
4. Chief Financial Officer’s report – Susan Kuhlman
5. Treasurer’s report – Ralph Davis
6. Audit Committee report – Elyce Dilworth
7. Budget Q&A (Thursday 11:30-12:30 session)
8. Review all elements of 2017 budget, recommend amendments and present to BOD (by end of Thursday 11:30-12:30 session)
9. Upcoming projects

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Governance

Committee Members

Leianne Crittenden, Chair; Jim Wheeler, Vice Chair

Dave Diehl, Sean Fitzgerald, Bruce Hopson, Patty Miller (ex officio), Hugh Moore, Chris Stevenson, Anthony Thompson

Introduction

The Governance Committee is responsible for ongoing review and recommendations to enhance the quality of the USMS governance structure, including the Board, committees, local, and regional divisions of USMS.

Discussions and Projects since Last Convention

Ad Hoc Elections Committee: Review whether to make ad hoc Elections Committee a standing Committee: If so, where does it report?

Governance recommended that the Election Committee be made a permanent committee of the Board of Directors, with Rule Book changes to be recommended to the House of Delegates for approval:

Term Limits for Committee members and chairs: Review whether this should be done and if so, recommend how to accomplish. After review of any Governance recommendations, BOD decided that this does not need to be acted on this year.

Governance did not recommend changes to the current model. Governance recommended that the President and VPs come up with procedures that make the committee selection process more efficient and facilitate turnover. Governance did not recommend any change to the automatic delegate status for the members of the Rules, Legislation, Long Distance and Finance committees, or any change to the required minimum or maximum size of any committee, since their committees benefit from face to face discussions of issues arising at Convention. Governance recommended that the current VP – committee reporting relationships stay posted on the USMS website and be updated as responsibilities are adjusted in order to balance VP workloads.

Size of Committees. Should the sizes of Committees be changed in any fashion?

If any change is needed, Governance recommended that it be done as a policy. Governance wants to provide flexibility for the president to appoint the best committee members, and to have all constituencies represented where possible. Governance did not recommend changing the automatic delegate status of these committees or require minimum or maximum size.

Annual Meeting: Review delegate numbers and composition (LMSC representatives and standing committee members), as well as purpose of HOD, and changing role of Committee meetings at Convention

Governance did not recommend a change to the current processes. Specified items of business must be conducted at Convention. Convention is a means to motivate LMSC volunteers to participate at a national level and want to encourage that by encouraging them to come as delegates and join committees. Governance recognizes that it is important for the automatic delegates to be at Convention since their committees still have important business to conduct that can only be done in person at Convention. So, while Governance does not see a need to limit in any way the number of delegates to the House of Delegates yet, this issue also should continue to be monitored as time goes on.

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5. Past President Participation in BOD: Review whether to limit participation of past Presidents, and if so, how to accomplish. Since this issue has been raised several times by HOD, Governance wanted to fully discuss and make a recommendation.

Governance did not think that the presence of past presidents on the BOD is creating a problem at this time. Governance discussed the concerns expressed by those raising previous legislation about undue influence by past presidents, but the Governance Committee was not convinced that this is a problem with the current Board of Directors. As time goes on, all of the past presidents will not choose to continue their participation— some will choose to participate; some will step back when their time is focused on other endeavors; and some will step back with age. As long as this is not causing disruption and USMS continues to benefit from their history, experience and expertise, this is not a problem at this time. Governance acknowledged that it would continue to watch this issue.

Education of BOD. When educational options for the BOD were reviewed, a lengthy seminar was proposed, which may not fit into ongoing training at in-person BOD meetings. We will review further options for training BOD based on topics previously approved by BOD.

Review Roles of Zone Chairs. Review what the Zone Chairs' role is and should be in the future.

Zone Chairs are automatic members of LMSC Development committee and act as resources and mentors for the LMSCs. They also set up the Zone meetings and arrange bids for Zone Meets (where applicable). Consensus of the Governance Committee is that these roles are appropriate and should continue.

Dual Roles. Can two positions on USMS BOD be held by a person at the same time?

Rule 506.1.2 states “The nonvoting members of the Board of Directors shall consist of the executive director, legal counsel, all past presidents not already voting members, a representative of each allied organization (as approved by the Board of Directors), and a representative from USA Swimming.” The statement that voting members include past presidents “not already voting members” seems to contemplate a former President that would run again, and so a dual role on BOD (as Past President and as current at large director) is contemplated. Also, Governance does not think we should discourage continued participation. This issue is self-regulating since the Zones that endorse the candidates would be where the discussion about encouraging new participants would come up.

Governance Committee Meeting Agenda Thursday 2:00pm–3:15pm - Williams

Discussion of: Committee Meetings at HOD – Business as Usual, or Opportunity to Educate?

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Swimming Saves Lives Foundation

Committee Members

Brandon Franklin, Chair; Debbie Malafsky, Vice Chair

Nadine Day, Maria Elias-Williams, F.H. "Ted" Haartz, Tom Holmberg, Bill Meier, Patty Miller, Nancy Ridout

Ex-Officio: Holly Neumann

Introduction

The Swimming Saves Lives Foundation supports swim-lesson providers and programs with grants to allow lessons for adults to be offered at reduced- or no-cost. Grant funds come from charitable donations made by USMS members and the general public, as well as from crowdfunding events and peer-to-peer fundraising efforts.

Discussions and Projects Since Last Convention

1. The Swimming Saves Lives Foundation and its grant program have been repositioned as key elements of the USMS Adult Learn to Swim initiative. The initiative has a three-pronged push: SSL grants, instructor certification and April is Adult Learn to Swim Month. This initiative will continue to be the organization's "cause" which USMS will market and publicize to engage our membership, and boost regard, respect, and recognition in the public eye.
2. OHIO Masters spearheaded a fundraising campaign in honor of their six-person Lake Erie Relay team. As of Aug. 11, more than \$8,000 had been raised in their name for SSL.
3. The Foundation funded 44 grant programs in 2016, for a total of \$92,000. The National Office supported the programs with gear and materials (T-shirts, goggles, caps banners, lesson plans, etc.).
4. As of Aug. 11, about half of the partners had completed their programs for the year, with 628 adults having taken part in lessons offered by all programs. By year's end, we expect to have reached nearly 1,000 adults in grant programs around the country.
5. Two-thirds of programs took advantage of the fee waiver for the USMS Adult Learn to Swim instructor certification class included in the grant awards, resulting in an educated work/volunteer force behind the lessons offered. Many programs certified more than one instructor, at personal cost.
6. The new zip-code searchable database for certified instructors is helping to drive the public to programs that have a certified instructor. The database was publicized during April is Adult Learn to Swim Month. Since its launch on April 7, more than 3,600 searches have been performed for certified instructors in more than 2,000 zip codes.
7. Misty Hyman once again served as a spokeswoman for April is Adult Learn to Swim Month, and her radio interviews were heard on more than 400 affiliates.
8. My ALTS Experience San Diego team of Jerry McCormick (student) and Chris Holley (instructor) also were interviewed and featured several times, including in one international publication.
9. SSL partners City of Charleston, Greenville Splash and many others, as well as those who launched ALTS campaigns outside of having a grant (Carbondale, Ill., for example) had wonderful news coverage of their efforts, thereby raising awareness and making their communities safer by teaching people to swim.
10. There were 74 applications for 2017 grants.

Action Items

1. Board of Directors to announce awarding up to \$88,000 for 2016-17 grant programs, which represents 100% of giving in 2015.
2. Foundation to adopt an online giving platform to make fundraising through peer-to-peer efforts easier.
3. One grant award in 2016-17 to be named in honor of the Lake Erie Relay.
4. Staff recommends 2016-17 grant class be capped at 35 programs, assuming worthy applications.

Swimming Saves Lives Foundation Agenda
Friday 1:15pm – 2:15pm -Suite 219

1. Recommendations to be approved and announced by board of trustees.
2. Request NO staff begin grant process by sending grant agreements to programs.
3. Request NO staff notify those who did not receive awards.
4. Request NO staff to continue collecting year-end reports from 2016 partners.
5. New business

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Investment

Committee Members:

Phil Dodson Chair; Vice-Chair, Stan Benson
Bill Sherman, Homer Lane, Guy Davis, Jay Definis
Ex-officio: Susan Kuhlman, Ralph Davis.

Introduction:

This Committee is responsible for overseeing USMS's Investment Philosophy of investing the financial assets of USMS and the Swimming Saves Lives Fund (SSL) in excess of needed working capital, consistent with a policy of prudent investment planning and protection of assets according to the established USMS Investment Policy approved by the USMS Board of Directors.

Discussions and Projects Since Last Convention:

1. Assumed responsibility for review and monitoring of the SSL portfolio after the Board approved establishing a \$175,000 SSL investment portfolio. Initial investments were made in Sept 2015 with the fund fully invested by December 2015 and managed under the NT model portfolio for growth and income investment objectives. These are the same investment objectives as the USMS investment portfolio. The only difference in management between the two portfolios is: SSL is passively managed to follow the NT model portfolio whereas the USMS investment fund is managed within the NT model portfolio guidelines with tactical variations selected in consultation between the committee and our NT advisor.
2. Comprehensively reviewed the Northern Trust Performance-Benchmark Report, evaluating each Mutual Fund in the USMS and SSL Portfolios on a quarterly basis as a committee.
3. Continued detailed quarterly discussions with our Northern Trust Portfolio Manager on Fund Performance, any recommended USMS Portfolio changes as well as meaningful economic trends that would have impact on the USMS Portfolio.
4. Continued to prepare quarterly Investment Committee Reports for the Board of Directors.
5. Review Investment Policy and recommendations for changes; 1) to add "exchange traded funds" as an approved investment vehicle, and 2) to add Hi-Yield Bonds as an approved investment class. Discussions on the latter are scheduled to continue at convention with a presentation of additional research.

Action Items:

1. All the aforementioned projects continue to carry forward as regular action items.
2. Approved recommending to the Board of Directors a change in the Investment Policy to add language to include "exchange traded funds" as an approved investment vehicle.

Report on USMS Investments of June 30, 2016:

The Market Value of our USMS Portfolio ending 6/30/2016 was \$2,272,881 up \$572,905 from our original cash investment of \$1,699,976 in 2011, or nearly 34%, and the SSL Portfolio was \$182,536. **For first six months of 2016 our USMS portfolio was up 3.75% and the SSL portfolio up 4.12%. As of the writing of this report, August 5, 2016, the portfolios were up more than an additional 1%.**

Our target asset allocation for the USMS portfolio remains at 60% stock/40% fixed income-cash. As of June 30, 2016 our Equity Securities totaled 60.3%, Fixed Income Securities totaled 34.1%, 4.0% in Cash

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and Short Term securities and 1.6% in Real Estate. The Investment Committee, along with our Portfolio Manager, still believes that our current Portfolio asset allocation remains appropriate for USMS.

Looking forward to 2016, our main objectives are to work with our advisor (Northern Trust): 1) maintain sufficient cash balance to transfer to operations 2) be prepared for continued volatility 3) remain vigilant on the global economic and market outlooks and 4) rebalance or shift asset allocations if conditions warrant. The Northern Trust outlook for 2016 is for a 4-6% return and to remain overweigh equities and US equities.

The Investment Committee is pleased to continue to be entrusted to responsibly steward the assets of USMS.

Investment Committee Meeting Agenda

Meeting #1 - Wednesday 2:30pm – 4:00pm – Suite 219

Meeting #2 - Thursday 3:30pm – 4:45pm - Williams

1. Discussion of USMS Portfolio recommendations, if any, proposed by our Northern Trust Portfolio Manager.
2. Discussion of USMS Portfolio returns, and individual fund performance to date.
3. Conference Call with James Gregory, our Northern Trust Portfolio Manager.
4. Review of Investment Committee Meeting schedule for 2016-2017.
5. Review and deliberation of recommended changes to the current USMS Investment Policy. Specific consideration to define and add Hi-Yield Bonds as an approved investment class will be discussed.
6. Other items requiring Investment Committee attention.