

MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

AUDIT AND FINANCE COMMITTEE MEETING

East Lansing, February 22, 2017

Members Present:

Vic Michaels, Detroit
Scott Grimes, Grand Haven
Karen Leinaar, Bear Lake
Pete Ryan, Saginaw

Staff Members Present:

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

2017-18 Budget Preparation Schedule –

Feb. 22 Audit and Finance Committee proposals (including personnel);
March 24 Representative Council approval;
April 26 Audit and Finance Committee proposals (remainder of budget);
May 8 Representative Council approval.

Audit – The audit for fiscal year 2015-16 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 IRS Form 990 for fiscal year ending July 31, 2016, was reviewed and approved by the committee.

Reports/Evaluation – The Audit and Finance Committee reviewed and discussed a summary of accounts and general ledger through Jan. 31, 2017; audited tournament financial reports of direct revenue and expenses for fiscal years 2012-13 through 2015-16; and a comparison of tournaments in fall of 2016 with fall of the five previous years; sources of revenue over the past three years, and a closer look at sources of non-tournament revenue.

Trophies & Medals – Tom Rashid described that the MHSAA has benefited under a contract with ESCO that has frozen prices, that include shipping, for trophies and medals for nine consecutive years while providing high quality and superb service.

The Audit and Finance Committee approved a five-year extension with ESCO that will provide the same designs and service with minimal price increases which continue to be inclusive of shipping. The total cost of trophy and medal increases will be \$14,063 for 2017-18; \$13,803 for 2018-19; \$6,836 for 2019-20; and \$0 for both 2020-21 and 2021-22.

Insurance – Mark Uyl discussed the factors affecting major insurance coverages the MHSAA secures each year, including accident medical, concussion care, coaches liability, officials liability, Directors & Officers, and Comprehensive General Liability. There are questions regarding the accident medical insurance and the Directors & Officers insurance that will be discussed by the Representative Council and/or Audit & Finance Committee in upcoming meetings.

Broadcasting – The committee received a status report on the agreement for broadcasting MHSAA Football and Basketball Tournaments via Fox Sports Detroit which ends after the winter tournaments of the 2017-18 school year, and a preview of options that may exist thereafter.

The committee also reviewed a proposal intended to increase broadcast exposure of the MHSAA's programs and services in regular and special broadcasts that are separate from MHSAA events.

The committee approved the MHSAA participating in this broadcast opportunity for 2017-18, utilizing up to \$225,000 from its designated "Innovation and Opportunity Fund" if sponsorship sales are insufficient to produce that much revenue or more. The Representative Council will determine if this initiative will continue beyond 2017-18 and, if any supplemental funding is needed, whether those funds should come from the MHSAA's regular operating budget or from the designated fund.

Tournament Venues – Mr. Uyl provided a preliminary preview of the options related to hosts for the MHSAA Team and Individual Wrestling Finals which will be before the Representative Council at its meeting on March 24, 2017.

The committee reviewed factors affecting the availability or feasibility of the Breslin Student Events Center for hosting the MHSAA Girls and Boys Basketball Semifinals and Finals. The committee discussed options for changing the sites of these tournaments in upcoming years, which is a management decision; as well as options for changing the calendar in future years to decrease the conflicts with colleges, which would require extensive membership input.

It was decided the MHSAA should distribute a "Request for Proposal" to venues across the state for hosting the Semifinals and Finals of the girls tournament, boys tournament, and both tournaments during the next two or three years. It is intended that the RFPs be due April 1, 2017, and reviewed by the Audit and Finance Committee later that month, with decisions to be made by the Representative Council at its meetings May 7-8, 2017.

Discussion – Committee members discussed means of mitigating the negative effect of Big Ten football scheduling on MHSAA Football Playoff revenue. Committee members suggested initiatives the MHSAA could expand to serve and support athletic administrators. There is continuing interest in revisiting plans for the MHSAA to construct and operate a multi-sport, multi-services facility to host MHSAA tournaments, regular season contests and non-school sports events, house MHSAA offices, meeting space and recognition areas, and possibly include a fitness and athletic training center as well as other public services.

National Federation – The Representative Council has a policy for National Federation Annual 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; and if more than that number of Council members wishes 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, 2017 NFHS meeting in Providence, RI.

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 2017-18.