

MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

AUDIT AND FINANCE COMMITTEE MEETING

East Lansing, February 21, 2018

Members Present:

Scott Grimes, Grand Haven
Vic Michaels, Detroit
Karen Leinaar, Bear Lake
Pat Watson, West Bloomfield

Staff Members Present:

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

2018-19 Budget Preparation Schedule –

Feb. 21 Audit and Finance Committee proposals (including personnel);
March 23 Representative Council approval;
April 24 Audit and Finance Committee proposals (remainder of budget);
May 7 Representative Council approval.

Audit – The audit for fiscal year 2016-17 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, 2017, 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, 2018; audited tournament financial reports of direct revenue and expenses for fiscal years 2013-14 through 2016-17; and a comparison of tournaments in fall of 2017 with 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 33-year history of annual operating profits or deficits. A significant deficit for 2017-18 – the first deficit since the 2007-08 fiscal year – appears unavoidable.

Recent Obligations – In recent years, the MHSAA has assumed significant new financial obligations, all of which are **annual** expenses that could increase at any time, including . . .

- Concussion Care “Gap” Insurance (since 2015-16) \$300,000 for 2017-18
- Increased Coverage for Accident Medical Insurance (+27,000 in 2017-18), now . . . \$ 83,000 for 2017-18
- ArbiterGame for High Schools (since 2012-13) \$ 52,000 for 2017-18
- Weight Monitoring Program (no longer NWCA sponsored) \$ 15,000 for 2017-18
- State Champs! Sports Network Partnership, if no one sponsors, up to . . . \$170,000 for 2017-18
- Increased Cost to Keep Boys Basketball at Breslin (Girls Basketball would add another \$125,000/Year) \$155,000 for 2017-18

Sponsorships – The transition in onsite general managers from Outfront Media Sports on behalf of sponsor sales and service is a setback. At least initially, this transition has meant a pause in sponsorship growth for the MHSAA; and we are actually projecting a \$400,000 decline in sponsorship revenue for fiscal year 2017-18. Already, and unrelated to the transition, we have seen one sponsorship reduced by 76% for 2017-18 and the amount received through another sponsorship in fiscal year 2016-17 may be reduced by approximately 65% or more for fiscal year 2017-18. A third sponsor is many months late in making payments for both 2016-17 and 2017-18.

Arbiter – Pricing for ArbiterGame and other Arbiter products is of growing concern to the MHSAA and many of its counterpart organizations across the US; and new costs for ArbiterGame are exceeding the ability to provide it free to all high schools, especially considering other new obligations and declining sponsorship revenue. MHSAA staff are trying to negotiate an agreement with arbiter that leads to reasonable and predictable cost increases for the several products Arbiter provides the MHSAA and its member schools.

New Revenue – The committee discussed and dismissed the idea of adding a charge on all ArbiterPay transactions that would be payable to the MHSAA to help defray the costs of other Arbiter products. The MHSAA is the only state where the state high school association is not receiving such income.

The committee is open to increasing ticket prices for MHSAA tournaments, especially at Regional and Quarterfinal tournaments and especially for basketball and football. A comprehensive list of options will be prepared for discussion at the committee's April meeting that will show the effect of \$1 and \$2 increases at pre-final levels of tournaments of most sports.

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, 2018 NFHS meeting in Chicago, IL.

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 2018-19.