

**MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.**

**AUDIT AND FINANCE COMMITTEE MEETING**

East Lansing, February 22, 2012

Members Present:

Vic Michaels, Detroit  
Jim Derocher, Negaunee  
Karen Leinaar, Bear Lake  
Pete Ryan, Saginaw

Staff Members Present:

Nate Hampton  
Peggy Montpas  
Tom Rashid  
Jack Roberts (Recorder)  
Kathy Westdorp

2012-13 Budget Preparation Schedule –

Feb. 22      Audit and Finance Committee proposals (including personnel);  
March 23     Representative Council approval;  
April 25     Audit and Finance Committee proposals (remainder of budget);  
May 6        Representative Council approval.

Financial Procedures Manual – The Audit and Finance Committee received an updated edition (Feb. 1, 2012) of the MHSAA Financial Procedures Manual which, among other changes, reflects changes in staff responsibilities following the retirement of Tom Minter.

Audit – The audit for fiscal year 2010-11 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, 2011, was approved by the Executive Committee at its meeting Dec. 1, 2011.

Reports/Evaluation – The Audit and Finance Committee reviewed and discussed a summary of accounts and general ledger through Jan. 31, 2012; audited tournament financial reports of direct revenue and expenses for fiscal years 2007-08 through 2010-11; and a comparison of tournaments in fall of 2011 with fall of 2010.

Special attention was devoted to non-tournament revenue which grew from less than ten percent of all revenues in 2007-08 to 19 percent in 2009-10, but grew only from 19 to 20 percent of all revenues during 2010-11 and may reverse direction during 2011-12 and 2012-13 because of potential reductions in revenue from sponsorships and broadcasting.

Several capital projects, previously delayed for business reasons, have been completed; and the schedule for upcoming capital projects was discussed.

MHSAA Tournament Financial Policies – The Audit and Finance Committee devoted the major portion of the meeting to discussing those tournament financial policies which the Representative Council had previously identified as highest priorities for review. There were no recommendations for change for the Council related to these matters.

1. Volleyball District Hosts – The committee examined Volleyball District finances for 2010 and 2011 with an eye toward determining if, for volleyball, the Basketball Tournament financial formula is feasible (hosts retain 30 percent of adjusted gross from which they pay their local expenses and manager's honorarium). It was discovered that at fewer than ten of 128 Districts in 2010 and fewer than seven in 2011 would hosts have had more benefit from the basketball formula than the current volleyball method (hosts retain ten percent of adjusted gross and are reimbursed for certain expenses and the manager's honorarium). There was no support for increasing the host percentage at this time.
2. Football Predistrict, District and Regional Hosts – The Audit and Finance Committee reviewed the history of MHSAA Football Playoff financial policies since 1999 and financial summaries for the 2010 and 2011 playoffs with an eye to the concern for the difference in the host's share of the adjusted gross at the Predistrict level (40 percent) versus the second and third rounds of the playoffs (20 percent). Currently, 128 Predistrict hosts receive 40 percent, while 64 District hosts and 32 Regional hosts receive 20 percent.

Alternative formulas were examined that reduced the first round host share (e.g., to 35 percent) and increased the second and third round host share (e.g., 25 percent). It was noted that while the total number of dollars to hosts would increase only slightly, many fewer schools would benefit. The current policy is based on the belief that the earliest rounds, which involve the most hosts, should have the greatest share of receipts. By this system, more schools benefit while the financial reward for winning and advancing in the playoffs is minimized. There was no support for change.

The committee reviewed finances for the first eight-player tournament which benefited from an inexpensive Finals site (Northern Michigan University) and spectator support of a local participating team (Rapid River). In terms of direct income and expenses, the MHSAA experienced a net profit at the first, third and fourth rounds of the tournament, but a net loss in round two.

The committee did not alter the policy that the four-week playoff mirrors the last four weeks of the 11-player tournament with respect to host share, and that hosts should receive 40 percent of the adjusted gross only for the first round of a five-week tournament when the number of schools playing eight-player football reaches 40.

3. Host Expenses Generally – The committee discussed several policies for reimbursement of host expenses that are generic to most or all sports, including medical care and facility rentals. No recommendations for change were adopted.
  - a. The tournament medical expense that most often comes into discussion is the expense of a trainer. When this expense is incurred at Girls and Boys Basketball Tournaments and Football Playoffs at the District and Regional levels, it is paid from the host share of the adjusted gross. For other levels of basketball and football tournaments as well as for tournaments in all other sports, the MHSAA paid \$60,842 during calendar year 2011.

Of this total, \$22,649 was reimbursed by the MHSAA to District hosts, and \$22,092 at the Regional level. At the District level, volleyball received the most reimbursements; at the Regional level, ice hockey received the most reimbursements; at the Quarterfinal level, girls basketball received most; at the Semifinal and final levels combined, individual wrestling received most.

- b. The committee examined the policy regarding reimbursements of facility rentals, especially for the football playoffs, from the perspective of both the owners and the renters. After a spirited discussion there was no consensus to change existing policies which do not allow for the MHSAA to reimburse schools in full or part for facility rentals.

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 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 July 8-12, 2012 NFHS meeting in Nashville and the recommendation that the president have discretion regarding the number of Council members to attend in 2012.

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 2012-13.