

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

**AUDIT AND FINANCE COMMITTEE MEETING**

East Lansing, February 20, 2013

Members Present:

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

Staff Members Present:

Peggy Montpas  
Tom Rashid  
Jack Roberts (Recorder)  
Kathy Westdorp

2013-14 Budget Preparation Schedule –

Feb. 20      Audit and Finance Committee proposals (including personnel);  
March 22     Representative Council approval;  
April 24      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 (Aug. 1, 2012) of the MHSAA Financial Procedures Manual.

Audit – The audit for fiscal year 2011-12 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, 2012, 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, 2013; audited tournament financial reports of direct revenue and expenses for fiscal years 2008-09 through 2011-12; and a comparison of tournaments in fall of 2012 with fall of the four previous years.

Net income from revenue and direct expenses for fall tournaments has declined \$360,256 (20 percent) over the past three years (since 2009). Net income from the Football Playoffs has declined \$316,026 (21 percent) during this period. Adding to concern is that net income from revenue and direct expenses for boys and girls basketball has declined \$90,653 (5 percent) over the past two years (since 2009), with prospects for further decline in 2013 because of the change from three sessions to two at the Boys Basketball Finals.

Brief discussion ensued regarding ticket prices for Basketball and Football District and Regional Tournaments which have been unchanged for a decade, and regarding ideas to promote group attendance by students at non-participating schools.

Declining tournament attendance at boys and girls basketball after the change in girls basketball season was anticipated by the MHSAA and was one of the motivating factors for planning to develop more and larger alternative revenue sources. This plan was described to the Representative Council during 2007, and a report of slowing progress and a refinement of the plan were presented to the Representative Council on Nov. 30, 2012. A spreadsheet quantified that the trend toward increased revenues from non-tournament sources may reverse in 2012-13.

The proposed capital budget for 2012-13 and report of actual capital outlay through Feb. 6, 2012, reveals that management is moving slowly on some capital projects during current budget uncertainties.

Mileage Policies – Reimbursement for mileage to those serving on MHSAA committees and Council has remained unchanged for two dozen years. The committee was advised that an increase from 30¢ to 40¢ per mile (one-third increase) would cost the MHSAA between \$12,000 and \$13,000 annually. The committee will recommend to the Council that this change be made effective Aug. 1, 2013.

Non-Tournament Revenue – The committee was returned to the topic of non-tournament revenue to hear updates and make suggestions regarding the “Six Buckets” strategy – namely: Sponsorships, Electronic Media, Game Balls, Royalties, Officials, and Coaches.

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 June 23-27, 2013 NFHS meeting in Denver.

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 2013-14.