

MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

AUDIT & FINANCE COMMITTEE MEETING

East Lansing, February 12, 2009

Members Present:

Vic Michaels, Detroit
Jim Derocher, Negaunee
Eric Federico, Gibraltar
Chip Hansen, East Jordan

Staff Members Present:

Randy Allen Tom Rashid
Nate Hampton Jack Roberts (Recorder)
Gina Mazzolini Mark Uyl
Tom Minter Kathy Westdorp
Peggy Montpas

2009-10 Budget Preparation Schedule –

Feb. 12 Audit and Finance Committee proposals (including personnel);
March 27 Representative Council approval;
April 22 Audit and Finance Committee proposals (remainder of budget);
May 5 Representative Council approval.

2008-09 Year-To-Date Review – Through Jan. 31, 2009, revenues were approximately \$15,733 below the 2007-08 school year, and total disbursements were nearly \$438,382 lower than the first six months of the previous fiscal year, reflecting concentrated efforts to reduce expenses in all aspects of MHSAA operations.

Audit Review – The professional audits for the 2006-07 and 2007-08 fiscal years remain incomplete pending resolution of the association's liability for plaintiff attorneys' fees and expenses in the sports seasons litigation.

It was reported that, at the auditor's recommendation, the MHSAA will begin in 2009-10 to transition to a full accrual budget and audit to more accurately reflect total revenues and expenses.

The preliminary audited tournament financial reports for the 2007-08 school year showed that a record 15 tournaments had direct revenue in excess of direct expenses, but that only three tournaments – boys basketball, girls basketball and football – have net revenues sufficient to cover functional expenses, and the surplus from those three sports overcomes the deficit of the 25 other tournaments. The downward slide in net revenues for both boys and girls basketball is a major concern.

IRS Form 990 Compliance – Steps being taken to assure full compliance with increasing regulations related to IRS Form 990 filings were discussed. The Audit and Finance Committee approved three policy statements for the Council's adoption in March: (1) Policy for Form 990 Review and Approval; (2) Conflict of Interest Policy; and (3) Compensation Policies and Procedures.

Football Playoff Finances – In order to bring more oversight of ticket sales and more accountability for expenses, the Audit and Finance Committee recommended and the Representative Council approved the following in March 2008:

1. Numbered tickets would be provided to all host sites; and unused tickets returned to the MHSAA with financial reports.
2. Hosts would receive a portion of the gross ticket sales from which they would pay their local expenses; and the balance, less an amount to pay game officials, would be sent to the MHSAA.

3. The MHSAA would forward a smaller portion of the gross to opponents who would pay their own travel expenses, except that the MHSAA would add a mileage bonus of \$500 for trips over 150 miles (one way) or \$1,000 for trips over 250 miles (one way).

In determining the appropriate host and visitor shares, the objective was to increase the MHSAA's share of Pre-District games and have nearly no change at the District, Regional and Semifinal levels. In actual practice, revenue to the MHSAA and the MHSAA's share of total revenues declined sharply at the second and third rounds of the 2008 playoffs. Visiting team revenue at those levels more than doubled.

The Audit and Finance Committee approved a proposal to Council to reduce the host share of gross revenue for the second round of Football Playoff games from 25 percent to 20 percent and to reduce the visitor share of gross revenue for the second and third rounds of Football Playoff games from ten to five percent.

The committee engaged in a lengthy discussion regarding the establishment of reimbursements for Football Tournament host schools which must rent competition facilities all season, or feel the necessity to do so or wish to do so for a playoff game. No reimbursements are now provided, and the committee did not approve any proposal to change these policies at this time.

Other Tournaments – The Audit and Finance Committee approved a proposal to Council to suspend the \$300 minimum payment to the hosts of MHSAA tournaments at venues where admission is not charged. Managers' honoraria would continue and approved expenses would continue to be reimbursed.

Officials – The Audit and Finance Committee discussed at length and approved the following proposal to Council:

1. Incorporate the minimum mileage reimbursement into the basic fee for MHSAA tournament officials; raise fees across the board for MHSAA tournament officials; and strategically increase tournament officials' fees in selected sports.
2. Increase the officials registration fees from \$20 (online) or \$25 (paper) to \$25 or \$30; increase the sport fees from \$10 to \$12; and increase late fees from \$20 to \$30.
3. Restructure the MHSAA tournament officials selection process to make more use of electronic efficiencies and economies, eliminate onsite officials selection committees, and reduce the number of conflicts, cancellations and reassignments.

Personnel Considerations – The Audit and Finance Committee adopted proposals for the Representative Council's action in March relative to compensation for staff for fiscal year 2009-10.