

**U.S. Masters Swimming  
CFO's Letter  
Preliminary Year End 2012**

The year-end financial report is preliminary. The entries from the Legacy Fund are not yet available and several expenses were estimated and require additional analysis. Any changes to the year-end unrestricted operating statement are not expected to be significant. This CFO's letter compares the year-end results to the 2012 budget and last year. The preliminary year-end net operating surplus of \$178,000 is favorable to the budget by \$212,600.

In order to clarify comparisons to the budget and last year, this letter includes an (f) to indicate a favorable variance and (u) to indicate an unfavorable variance. The information used for the comparisons is on tab **3. IS Summary (Income Statement Summary)** and **4. IS Detail (Income Statement Detail)**.

**For review purposes, the in-kind merchandise and legal contributions and related expenses are not included in variance discussions. These items offset each other and the net effect to the bottom line is zero.**

**EXECUTIVE SUMMARY**

Membership registration fees increased in 2012 by \$2.00. This increase was the third year of a five year rate increase strategy. Since the inception of on-line registration, in 2012 we achieved the greatest percentage of on-line member registrations of 93%.

The record breaking 2012 membership of 58,663 was a 4.4% increase over 2011.

The USMS.org website was redesigned and enhanced for the first time since 2005.

This was the first full year of in-house *SWIMMER* magazine production and the first time that the annual six issue magazine production cost per member was below \$6.00. An additional benefit was a streamlined mailing process that ensured on-time delivery of *SWIMMER* to members.

The Masters Coach Certification program was introduced in 2010 with levels 1 and 2 and expanded in 2012 to include level 3. A total of 475 Masters Coach Certifications were awarded in 2012. The financial model is slightly better than breakeven when considering direct expenses. The number of clubs grew to 791 in 2012 compared to 744 in 2011. More than 100 visits were made to existing programs and facilities interested in starting a Masters' program. This department also reached out to meet with eight related NGBs and supported new workout groups.

The highlight of Events for 2012 was the Omaha Summer Nationals. This premier event at the Olympic Trials pool was budgeted to have 1,000 swimmers, but the actual number was 26% higher at 1,257 swimmers. The net event was favorable to budget by more than \$48k.

Advertising and Sponsorship revenue increased due to the continued emphasis on building sponsor partnerships. The overall increase in sponsor involvement was noticeable in advertising and sponsorship revenue. Overall revenues increased by 15% to realize an additional \$56,500 compared to 2011.

In 2012 one new full time web developer position (Jeff Perout) was upgraded from an existing part time position. With an increased capacity, we are developing the in-house registration system in 2013. Bill Brenner was hired in January 2012 as the club and coach services director.

The IT function was favorably evaluated by an outside consulting firm. Several IT system enhancements were implemented as a result of this process. The IT review was an approved over budget item for 2012.

The USMS legal counsel generously volunteered \$28,800 worth of their expertise to assist with USMS legal matters.

A disaster recovery plan for the National Office was prepared by staff and adopted by the Audit Committee and the Board.

The Investment Committee oversaw the management of the investment portfolio which included a total return of 9.1%. They also recommended a Spending Policy that was adopted by the Board.

Swimming Saves Lives (SSL) awarded \$25,500 in grants to support programs that will provide opportunities for thousands of adults to swim; who might not otherwise have opportunities. A Gift Acceptance Policy was adopted by the SSL Committee and the Board.

## REVENUES

**Membership Services Revenue** exceeded budget by \$59,500 (f) and last year by \$188,900 (f).

- Membership for the year reached a record breaking 58,663. The increase was 1,808 memberships over budget. This was a 3% gain over budget and a 4% increase compared to last year.
- On-line registration usage for 2012 was 93% versus last year (2011) of 84%. On-line registration of 93% was another record for the organization.
- Refer to (Tab 5) Membership % for details.

**Coach and Club Services Revenue** exceeded budget by \$44,600 and last year by \$38,100 (f) due to the success of the Masters Coach Certification program.

- The original budget was for five level 1 & 2 coach certification clinics, but a total of 17 clinics were presented in 2012.
- Level 3 certification training was offered for the first time in 2012.
- The financial model for all coach certification programs is slightly better than breakeven.
- The number of clubs exceeded last year by 47.

**Events Revenue** exceeded budget by \$60,100 (f) and last year by \$126,800 (f) due to:

- The success of national championships. An organizational investment was made in locating the Summer Nationals in the Omaha Olympic Trials pool.
- One event registrations increased by 7% over 2011.

**Marketing/Sponsorship Revenue** exceeded budget by \$40,200 (f) and last year by \$56,500 due to:

- Sponsorship income and *SWIMMER* advertising were \$23,600 (f) over the budget and \$55,000 above last year due to additional sponsorships with some allocation to Summer Nationals.
- Royalties exceeded budget by \$16,600 (f) and \$1,500 (f) compared to last year. This was the result of 2 new vendors and on-line advertising.

**Contribution Revenue** was at budget and \$15,000 (f) higher than last year due to support of the Omaha Summer Nationals.

## EXPENSES

**Compensation Expense** was below budget by \$15,100 (f), but surpassed last year by \$169,700 (u). The year to year increase included the addition of 1.3 full time positions, staff compensation and a 9% increase in the cost of benefits.

**Insurance** was \$9,300 (f) lower than 2011 when a \$10,000 deductible expense was recorded.

**Membership Services Expense** was below budget by \$17,400 (f) and even with last year due primarily to the following variances:

- Postage for *SWIMMER* was \$16,100 (f) under budget.
- Production cost for *SWIMMER* was below budget by \$12,700 (f).
- Registration expenses were \$8,000 (f) under budget due to lower custom programming fees for the registration system.

These under budget expenses were partially offset by Web Operations. An approved over budget request for \$15,000 was used for an IT review by an outside consulting firm.

**Coach & Club Services Expense** exceeded the budget by \$33,100 (u) and last year by \$53,700 (u) due to the increase in the number of Masters Coach Certification training classes. The over budget expenses were offset by class registration fees.

**Event Expense** was \$1,100 (u) over budget and \$201,500 (u) greater than last year. The increase over 2011 was due to the Omaha Summer Nationals. The headquarters staff along with Championship Director Tom Boak, served as the meet operators for this event.

**Marketing/Sponsorship Expenses** were equal to the budget and last year.

**Development Expense** was below budget by \$1,200 (f) and exceeded last year by \$700 (u). New SSL logo merchandise was planned for 2012, but due to the vendor schedule this was postponed until 2013.

**Administration Volunteer Expense** was under budget by \$7,800 (f) and surpassed last year by \$19,300 (u) due to:

- Convention expenses exceeded last year by \$13,400 (u). This overage was made up of travel (\$4,700), hotel (\$6,800) and registration fees (\$1,000).
- Executive Committee/Board travel expense was \$6,000 (u) over last year. This was the result of increased costs related to the Board meetings and President's travel.

**Administration Staff Expense** was equal to the budget and exceeded last year by \$27,300 (u) due to:

- Travel expenses surpassed last year by \$8,800. This was due to an increase in staff and the number of trips.
- Office occupancy expense increased by \$5,300 and supply expense increased by \$4,000.
- Depreciation expense exceeded last year by \$4,500.

## OTHER INCOME/EXPENSE

**Other Revenue** exceeded the budget by \$91,900 (f) and last year by \$186,400 (f) due to unrealized gains and interest and dividends.

**Other Expenses** were below the budget by \$60,300 (f) and under last year by \$77,200 (f). In 2012 a change was made in the direction of SSL. The majority of the other expenses in 2011 were for an approved over budget request for the SSL fundraising feasibility project.

### **U.S. Masters Swimming CFO's Letter December 31, 2012 Balance Sheet**

## ASSETS

**Checking/Savings** decreased from the previous year by \$45,800 due in part to the transfer of funds to the Northern Trust investment account.

**Accounts Receivable** was \$7,600 less than last year due to a one time receivable in 2011 for tax refunds.

**Investments** increased over last year by \$356,600 due to the new Investment Policy strategy and the final 2012 transfer of funds to Northern Trust.

**Other Assets** increased by \$53,000 over last year due primarily to prepaid expenses. The largest year to year increase was for prepaid liability insurance.

## LIABILITIES

**Current Liabilities** increased \$40,700 over last year due to: the timing of invoices, 2012 membership registration fees payable to LMSCs and the net due to December SSL member contributions.

**Other Current Liabilities** increased by \$20,500 compared to last year due mostly to: deferred registration revenue for 2012 memberships and accrued payroll. This increase was partially offset by deferred sponsor revenue from two sponsors in 2011.

Respectfully submitted,

*Susan Kuhlman*

Susan Kuhlman  
Chief Financial Officer