

UNITED STATES MASTERS SWIMMING, INC.

Financial Operating Guidelines

(As amended through 9-13-96)

PURPOSE

The purpose of the Financial Operating Guidelines ("FOG") manual is to list and maintain in one place all of the operating financial policies and procedures currently in existence in United States Masters Swimming, Inc. ("USMS"). FOG will be updated by the Finance Committee on an annual basis. Copies will be made available to any USMS member through the National Office upon request. (Approved by FC 9-27-92)

I. GENERAL

A. Bonding

1. The President, Treasurer, Controller, Executive Secretary, the National Registrar, the Long Distance Committee Chairman, the Championship Committee Chairman, and
2. The Chairman, Treasurer and Registrar of each of the Local Masters Swim Committees ("LMSCs") that are in compliance with FOG II.B. shall be bonded in the amount of \$150,000 each.

(Approved 10-82, as amended by FC 10-21-88, 9-21-90, 9-24-93 and 9-13-96)

B. The giving of memorial gifts and awards is appropriate and consistent with the purposes of USMS and shall be encouraged. (Approved 10-82, as amended 9-20-91 and 9-24-93)

C. USMS shall donate \$.05 per registered swimmer per year to the International Swimming Hall of Fame, payable annually. (Approved by FC 9-19-86, as amended 9-24-93 and 9-13-96)

D. The prices of items sold to individuals, not for resale, shall be established at no less than the cost of the items plus mailing costs, rounded up to the nearest \$1.00. (Approved by FC 9-25-87, as amended 9-24-93)

E. Certain contract proposals shall be negotiated on behalf of USMS, Inc. for sponsors, contractors, vendors, and employees by the president or the president's appointee for goods and/or services for which budget approval has been obtained. These contract proposals shall be reviewed by a representative of the Finance Committee, appointed by the Finance Committee Chairman, prior to the signing of the contract. (Approved by FC 9-21-95)

F. Receipt of monies

1. The President, Treasurer, Executive Secretary and National Registrar shall deposit any monies received within 5 business days of receipt. Simultaneous with such deposit, appropriate documentation, including, but not limited to, copies of deposit slips and checks received, shall be forwarded to the Treasurer and Controller.
2. Any USMS monies received by Committee Chairmen or any other individual shall be forwarded to the President or Treasurer within 5 business days of receipt.

(Approved 9-13-96)

II. FINANCIAL REPORTING

A. Controller

1. The Controller shall utilize a commercially available general ledger accounting software package. (Approved by FC 10-21-88, as amended 9-21-90 and 9-24-93)
2. On a quarterly basis the Controller shall furnish the Executive Secretary with a listing, for distribution, of all items charged to the budgets of spending entities for the previous 3 months, on a cumulative basis, that were approved for reimbursement by the Controller. (Approved by FC 9-25-87, as amended 9-24-93)
3. The Controller shall maintain a property and equipment log showing:
 - a. the date purchased
 - b. original cost and depreciation schedule
 - c. description of the equipment together with serial numbers.

(Approved by FC 10-21-88)

B. Local Masters Swim Committees

1. Each LMSC shall produce annual financial statements consisting of at least an income statement and a balance sheet, based on sound accounting principles. LMSC financial statements may be prepared more often than once per year for LMSC use.
2. Each LMSC should use the same fiscal year as USMS, which is the calendar year.
3. As required by USMS Code of Regulations and Rules of Conduct, a copy of each LMSC's annual financial statements shall be sent to the USMS National Office within 4 months after its year end.
4. Any LMSC with annual gross receipts normally in excess of \$25,000 must file a tax return for that tax year, with a copy to be sent to the USMS National Office. All LMSCs are reminded that income unrelated to exempt activities may be taxable. An organization's gross receipts are considered to be normally in excess of \$25,000 if the organization is:
 - a. Up to a year old and has received more than \$37,500 in gross receipts during its first year;
 - b. Between one and three years old and averaged more than \$30,000 in gross receipts during each of its first two years; or
 - c. Three or more years old and averaged more than \$25,000 in gross receipts for the immediately preceding three years (including the year for which the return would be filed).
5. Any LMSC which makes payments in excess of \$600 in any fiscal year to any individual for services rendered shall issue an IRS Form 1099-MISC to that individual. Reimbursement of out-of-pocket expenses is not considered to be payments for services rendered.
6. It is recommended that each LMSC maintain all financial statements and records, including receipts, bank statements, and supporting documents for revenues and expenses for a minimum of three years, and possibly for as long as seven years, after the tax filing deadline for each year.

7. It is recommended that each LMSC's financial records be reviewed occasionally by someone other than the LMSC's Treasurer, such review to include:

- a. verification of bank balances
- b. sample review of revenue
- c. documentation for expenses

8. It is recommended that the functions of Treasurer and Registrar not be performed by the same person.

(Approved by FC 9-24-93, as amended 9-13-96)

C. Miscellaneous Reporting

1. All financial records of USMS shall be submitted to the Internal Audit Committee within five calendar months after the close of USMS's fiscal year end. (Approved by FC 9-19-86, as amended 10-21-88 and 9-24-93)
2. All individuals and committees who are responsible for items carried on USMS's financial records as inventory shall maintain proper inventory control records. (Approved by FC 9-25-87, as amended 9-24-93)
3. The authorized signers on all USMS's bank and investment accounts shall prepare and sign a letter directing each such institution where USMS has an account to send the original of each statement or statements for such accounts, together with all checks and/or records of trades and/or transfers made, to the Controller. A copy of all statements and/or records of trades and/or transfers made shall be provided to the Treasurer. (Approved by FC 10-21-88)

III. REIMBURSEMENTS

A. International Travel

1. The airfare, destination airport shuttle bus or cab transfers, and lodging, but not board, expenses for travel to and attendance at FINA/MSI World Championships by the USMS President only shall be reimbursed by USMS and charged to the annual FINA budget.
2. The airfare, destination airport shuttle bus or cab transfers, and lodging, but not board, expenses for travel to and attendance at the FINA Masters Technical meetings by the USMS designated representative shall be reimbursed by USMS and charged to the annual FINA budget.
3. The airfare, destination airport shuttle bus or cab transfers, and lodging, but not board, expenses for travel to and attendance at MSI, or any successor organization, meetings by the USMS designated representative shall be reimbursed by USMS and charged to the annual International Liaison/Delegate budget.

(Approved by FC 9-25-87, as amended 9-21-90, 9-24-93 and 9-13-96)

4. Expenses for entertaining dignitaries from other nations' Masters delegations by the USMS President and/or the USMS designated representative at FINA World Championships, Pan-Pacific Championships and/or FINA Masters Technical meetings shall be reimbursed by USMS up to an amount not to exceed either

- a) \$40.00 per guest per trip or
- b) the total amount designated in the annual budget for such entertainment

B. Convention Expenses

1. Executive Committee and Controller

- a. Actual expenses for airfare and destination airport shuttle bus or cab transfers for travel to and from USMS annual meetings shall be reimbursed by USMS.
- b. Actual lodging expenses, but not board, while at the convention site shall be reimbursed at ½ of the rate for a double occupancy room, beginning with the night prior to the day USMS meetings are first scheduled and continuing through the night prior to the last USMS meeting.
- c. All expenses incurred under FOG III.B.1.a-b shall be included in the Convention Committee budget.
- d. Members of the Executive Committee and the Controller shall each directly pay their own expenses incurred under FOG III.B.1.a-b., and shall subsequently be reimbursed.

(Approved by FC 9-25-87, as amended 9-21-90, 9-27-92, 9-24-93, 10-1-94 and 9-13-96)

2. Chairmen of Standing Committees

- a. One-half of actual expenses for airfare and destination airport shuttle bus or cab transfers for travel to and from USMS annual convention and their lodging, but not board, while at the annual convention at an amount not exceeding the full cost of a double room (including tax) for one (1) night shall be reimbursed by USMS.
- b. Expenses allowed in FOG III.B.2.a. shall be reimbursed upon presentation of a copy of supporting documentation to the Convention Committee Chairman and the Controller.
- c. All expenses incurred under FOG III.B.2.a. shall be included in the Convention Committee budget.
- d. If a Chairman of a Standing Committee is unable to attend the annual convention, a substitute selected by the committee chairman from that committee and approved by the President, shall be reimbursed under the guidelines outlined in FOG III.B.2.a.

(Approved by FC 9-20-91, as amended 9-27-92, 9-24-93 and 9-13-96)

3. The convention registration fee for all members of the Board of Directors is to be included in each of the Board members budgets each year and reimbursed by USMS. (Approved by FC 9-21-90)

4. The Convention Committee Chairman and the Controller may authorize the payment of the approved lodging portion directly to the hotel, unless the individual would prefer to pay the entire bill and be reimbursed later. (Approved 9-13-96)

C. National Championship Expenses

1. Actual expenses for airfare, destination airport shuttle bus or cab transfers, and lodging, but not board, of the President or the next ranking available officer (if the President is not available) incurred at National Long Course and Short Course Championship meets shall be reimbursed. (Approved by FC 9-19-86, as amended 9-24-93 and 9-13-96)
2. Actual expenses for airfare, destination airport shuttle bus or cab transfers, and lodging, but not board, of one designated member of the Championship Committee for both pre-meet and meet on-site visits to the location of each of the Short Course and Long Course National Championship meets shall be reimbursed by USMS. (Approved by H of D 9-26-87, as amended by B of D 9-27-92 and by the FC 9-24-93 and 9-13-96)

D. VENDOR PAYMENTS

All vendors shall be notified at the time an order is placed to direct all invoices to the Executive Secretary at the National Office. The Executive Secretary shall confirm the order and receipt of items ordered with the authorizing cost center head, and then immediately forward the invoice to the Controller for payment.

ED. Miscellaneous Reimbursement Policies

1. Members of USMS Committees shall be reimbursed for expenses incurred in the performance of their duties, subject to the limitations contained elsewhere in this Section III. (Approved by FC 9-19-86, as amended by FC 9-25-87, 9-21-90, 9-20-91 and 9-24-93)

2. Permissible travel expenses

a. Whenever FOG allows for the payment of airfares, alternative methods of transportation are allowed. Reimbursement for personal auto use for such purposes shall be at no more than the annual applicable Federal IRS standard nonprofit mileage reimbursement rate or the actual gasoline receipts (and tolls if applicable) for the approved trip, whichever is lower. (Approved 9-27-92, as amended 9-24-93)

b. Under no circumstances shall reimbursement for any method of transportation under III.D.2.a. exceed the combined cost of the lowest available coach airfare between the person's home city and the approved destination and destination airport shuttle bus or cab transfer expenses. (Approved 9-27-92, as amended 9-24-93)

c. Any USMS member incurring permissible travel expenses shall be reimbursed by USMS only to the extent not reimbursed by other parties, including, but not limited to, FINA, LMSCs, grants, and travel agents. (Approved by FC 10-21-88, as amended 9-24-93 and 9-13-96)

IV. DISBURSEMENTS

A. All requests for disbursements of USMS's funds, whether budgeted or not, shall be made in writing to the Controller or, in the absence of the Controller, to any member of the Executive Committee other than the Treasurer. No checks shall be issued without approval by the Controller, or in the absence of the Controller, by any member of the Executive Committee other than the Treasurer. (Approved by FC 10-21-88, as amended 9-24-93)

B. The Controller shall not act on requests for reimbursement until documentation supporting such requests in accordance with IRS and/or USMS guidelines has been received. The Controller shall be responsible for maintaining the appropriate documentation supporting each disbursement. (Approved by FC 10-21-88, amended 9-21-90, 9-24-93 and 9-13-96)

V. INVESTMENTS AND RESERVES

A. Investments

1. The general guidelines and philosophical considerations for the management of cash held in the Treasury of USMS are:

a. \$150,000 shall be maintained as a general reserve fund.

b. \$120,000 shall be maintained as a reserve fund specifically for the payment of the liability insurance deductible.

c. All other monies are to be viewed as short term in nature with no intent to create a longer term pool of

investment capital. This consideration should, however, be reviewed on an annual basis. Said monies should be kept in interest bearing checking accounts or their equivalent.

d. Cash, approximately equivalent to 3 months' expense requirements, should be kept in accordance with the guidelines of FOG V.A.1.e. below.

e. The following investment vehicles are acceptable to USMS for the investment of its cash balances:

(1) Checking accounts in U.S. banks offering the appropriate federal deposit insurance;

(2) Money market funds offered by one of the following companies: Piper Jaffray, Merrill Lynch, ~~Dreyfus~~, Fidelity, T. Rowe Price, Smith Barney and Bank of America.

(3) In addition, the Treasurer is hereby granted specific authority to maintain funds of USMS in a amount not to exceed \$10,000 in financial institutions which do not meet the requirements set forth in V.A.1.e.(1) and V.A.1.e.(2). This exception is granted to facilitate the transfer of funds between the operating disbursement accounts and the longer-term investments.

(4) On an annual basis the Finance Committee will review the list of firms approved in V.A.1.e.2. for continued inclusion or replacement.

(5) USMS and any of the LMSCs may own obligations consisting of U.S. dollar denominated investments meeting any of the following:

(a) marketable, direct obligations of the United States of America maturing within one year from the date of acquisition thereof;

(b) prime commercial paper maturing with one year from the date of acquisition thereof, and, at the time of acquisition, having a rating of A-1 or higher by Standard and Poor's Corporation, or Prime 1 or higher by Moody's Investor Service Inc., or F-1 or higher by Fitch; and

(c) interest bearing certificates of deposit maturing within one year from the date of acquisition thereof issued by a commercial bank organized under the laws of the United States of America or any State thereof having total assets of not less than \$1,000,000,000 (such certificates of deposit not to exceed \$100,000 from any one bank).

(Approved by FC 9-25-87, as amended 10-21-88, 9-22-89, 9-25-92, 9-24-93, 10-1-94 and 9-13-96)

~~B. Reserve funds should be invested in separate accounts which are clearly identified as reserve accounts.~~

B.G. Common stocks, preferred stocks, option devices, obligations denominated in foreign currencies or derivative products are not considered appropriate financial instruments for USMS or any of its LMSCs. (Approved by FC 9-25-87, as amended 9-13-96)

VI. BUDGETING

A. Prior to and during each annual USMS convention, each member of the Board of Directors and the Chairmen of each committee assembled during the annual convention shall submit written requests for budget allocations to the Finance Committee. (Approved 9-24-93, as amended 9-13-96)

B. After reviewing each budget request submitted, the Finance Committee will prepare the annual budget for USMS, and submit same to the House of Delegates for approval at each annual meeting of USMS. (Approved 9-24-93, as amended 9-13-96)

C. Detailing of USMS costs, and proposed pricing schedules (including the break even point) for any revenue producing project or item for which a budget allocation has been accepted, shall be submitted to the Finance Committee for its approval prior to incurring any financial obligation associated with the production of such project or item. (Approved by FC 9-19-86)

D. Authorization to exceed original budgeted line item amounts is granted pursuant to the following procedures:

1. Up to a cumulative total of \$500 in any one year may be approved for payment by the Controller.
2. A cumulative amount in excess of \$500 but not more than \$2,500 in any one year may be approved for payment by the Controller following the approval of a majority of the members of the Finance Committee.
3. A cumulative amount in excess of \$2,500 but not more than \$5,000 in any one year may be approved for payment by the Controller following the approval of a majority of the members of the Finance Committee and a majority of the members of the Executive Committee.
4. A cumulative amount in excess of \$5,000 in any one year may be approved for payment by the Controller following the approval of a majority of the members of the Finance Committee, a majority of the members of the Executive Committee, and a majority of the Board of Directors.
5. The approvals, or a summary thereof, obtained pursuant to VI.D.2-4. above, shall be submitted in writing to the Controller prior to the disbursement of funds.
6. Expense account overruns directly attributable to increased revenue items are exempt from the requirements of FOG VI.D.1-4.

(Approved by FC 9-24-93 and 10-1-94, as amended 9-13-96)

E. The commitment or use of any funds from the "Miscellaneous/Contingency" budget shall be approved in advance by a majority of the Executive Committee. (Approved by FC 9-21-90)

VII. BID PROCESS

A. Budgeted Items

1. A minimum of three competitive bids are required for any single expenditure in excess of \$1,500, unless fewer than three vendors are available to bid.
 - a. Once approval of the budget allocation has been received in accordance with FOG VI.A-B., the spending entity shall solicit written bids that meet the requesting party's written specifications from at least three competing vendors.
 - b. Following selection of a vendor, the spending entity shall submit all documentation concerning the bidding process to the Controller.
2. If fewer than three vendors are available or suitable to bid, the requesting party must present the reasons supporting the bid process used to the Executive Committee along with recommendations for approval. Such approval shall be submitted in writing to the Controller prior to the disbursement of any funds.
3. Nothing in this guideline shall be construed as meaning that the low bid must be accepted. However, if the low bid is not selected, then reasons supporting the choice of another bid must be presented to the Executive Committee along with the requesting party's recommendations for approval. Such approval shall be submitted in writing to the Controller prior to the disbursement of any funds.
4. Nothing in this guideline shall be construed as precluding negotiations between USMS and a successful bidder in an attempt to improve a contract to the benefit of USMS.

(Approved by FC 10-21-88, as amended 9-21-90, 9-24-93, 10-1-94 and 9-13-96)

B. Independent Contractors

1. A minimum of three competitive bids are required for any expenditure prior to entering into a contract with any independent contractor, except for legal counsel, for personal service to be provided to USMS, unless fewer than three contractors are available to bid.

a. Once approval of the budget allocation has been received in accordance with FOG VI.A-B., the spending entity shall solicit written bids that meet the requesting party's written specifications from at least three competing contractors.

b. Following selection of a vendor, the spending entity shall submit all documentation concerning the bidding process to the Controller.

2. If fewer than three contractors are available or suitable to bid, the requesting party must present the reasons supporting the bid process used to the Executive Committee along with recommendations for approval. Such approval shall be submitted in writing to the Controller prior to the disbursement of any funds.

3. Nothing in this guideline shall be construed as meaning that the low bid must be accepted. However, if the low bid is not selected, then reasons supporting the choice of another bid must be presented to the Executive Committee along with the requesting party's recommendations for approval. Such approval shall be submitted in writing to the Controller prior to the disbursement of any funds.

4. Nothing in this guideline shall be construed as precluding negotiations between USMS and a successful bidder in an attempt to improve a contract to the benefit of USMS.

(Approved by FC 9-21-90 and 10-1-94, as amended 9-13-96)