

UNITED STATES MASTERS SWIMMING, INC.

Financial Operating Guidelines

(As amended through 9-14-02)

TABLE OF CONTENTS

I. Purpose

II. Budgeting

III. Receipt of monies

IV. Disbursements and Reimbursements

- Convention Expenses
- National Championship Expenses
- International Travel
- Miscellaneous Reimbursement Policies
- Miscellaneous/Contingency budget

V. Over-Budget Procedures

VI. Vendors, Outside Contractors, Bid Process, and Vendor Payments

- Budgeted Items
- Independent Contractors
- Vendor Payments

VII. Insurance

VIII. Investments and Reserves

IX. Property and Equipment

X. USMS Financial Reporting

XI. Local Masters Swim Committees

XII. Miscellaneous

I. 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 9-2-92)

II. BUDGETING

A. Prior to and during each annual USMS convention, each member of the Board of Directors and the Chair of each committee shall submit written requests for budget allocations to the Finance Committee. (Approved 9-24-93; amended 9-13-96 and 11-16-2001)

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; amended 9-13-96)

C. Detailing of USMS costs and proposed pricing schedules (including the break-even points) 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 9-19-86)

III. RECEIPT OF MONIES

A. The President, Treasurer, and Executive Secretary 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. (Approved 10-14-00)

B. Any USMS monies received by Committee Chair or any other individual shall be forwarded to the President, Treasurer or Executive Secretary within 5 business days of receipt. (Approved 9-13-96; amended 10-14-00)

IV. DISBURSEMENTS AND REIMBURSEMENTS

A. All requests for disbursements of USMS’s funds, whether budgeted or not, shall be made in writing to the Controller, after approval by the cost center head, 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 10-21-88; amended 9-4-93 and 10-14-00)

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 10-22-88; amended 9-21-90, 9-24-93, and 9-13-96)

C. Convention Expenses

1. Executive Committee, Controller, and National Sponsor Liaison ¹

- a. Actual expenses for travel to and from USMS annual meetings shall be reimbursed by USMS.(Amended 11-17-01)
- b. Actual lodging expenses while at the convention site shall be reimbursed at ½ of the rate for a double occupancy room, including tax, beginning with the night prior to the day USMS meetings are first scheduled and continuing through the night prior to the last USMS meeting, with the exception of the President who shall have the option of a single occupant room.(Amended 11-17-01)
- c. All expenses incurred under FOG IV. C.1.a-b shall be included in the Convention Committee budget.
- d. Those eligible to be reimbursed shall each directly pay their own expenses incurred under FOG IV. C.a-b., and shall subsequently be reimbursed. (Approved 9-24-87; amended 9-21-90, 9-27-92, 10-1-94, 9-13-96 and 10-14-00)

2. Chairs of Standing and Ad Hoc Committees, Webmaster, SWIM Magazine Editor, the Internal Auditor, and Zone Representatives.²

- a. Actual expenses for travel to and from USMS annual meetings shall be reimbursed by USMS.(Amended 11-17-01)
- b. Actual lodging expenses while at the convention site shall be reimbursed at ½ of the rate for a double occupancy room, including tax, beginning with the first day USMS meetings are first scheduled and continuing through the night prior to the last USMS meeting.(Amended 11-17-01)
- c. Expenses allowed in FOG IV C.2.a. shall be reimbursed upon presentation of a copy of supporting documentation to the Convention Committee Chair and the Controller.
- d. All expenses incurred under FOG IV C.2.a shall be included in the Convention Committee budget

¹ Please note that there is an inconsistency currently between our various contracts and letter agreements with employees and independent contractors. Some refer to FOG for guidance on reimbursement procedure and some provide for reimbursement internal to the contract. In the future, these contracts and letter agreements should be self contained and should not refer to FOG. The Finance Committee chair shall provide input on such contracts and letter agreements.

² Same as footnote 1 above.

d. If a chair of a standing committee is unable to attend the annual convention, a substitute selected by the committee chair from that committee and approved by the President, shall be reimbursed under the guidelines outlined in FOG IV C.2.a.

(Approved 9-20-91; amended 9-27-92, 9-24-93, 9-13-96, 9-27-97, 10-14-00 and 9-14-02)

3. The Convention registration fee for all members of the Board of Directors, Controller, National Sponsor Liaison, Internal Auditor, Webmaster and SWIM Magazine Editor is to be included in each member's budget and reimbursed by USMS. (Approved 9-21-90; amended 10-14-00)

4. The Convention Committee Chair 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)

D. National Championship Expenses

1. Actual travel expenses of the following incurred at National Long Course and short Course Championship meets shall be reimbursed (Amended 11-17-01):

- a. President or the next ranking available Officer (if the President is not available);
- b. National Sponsor Liaison;
- c. Webmaster.

(Approved 9-19-86; amended 9-24-93, 9-13-96 and 10-14-00)

2. Actual travel expenses 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 9-26-87; amended 9-27-92, 9-24-96, 9-13-96 and 10-14-00 and 11-17-01)

E. International Travel

1. Expenses for travel to and attendance at FINA World Championships by the USMS President and the USMS-designated FINA representative only shall be reimbursed by USMS and charged to the annual International Liaison/Delegate and FINA budgets. (Approved 10-4-98; amended 10-14-00 and 11-17-01))

2. 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.(Amended 11-17-01)

3. Expenses for travel to and attendance at Pan Pacific Championships or International Liaison or the USMS designated representative, and the FINA representative shall be reimbursed by USMS and charged to the annual

International Liaison and the FINA liaison budget. (Approved 9-25-87; amended 9-21-90, 9-24-93, 9-13-96, 10-14-00 and 11-17-01)

4. Expenses for entertaining dignitaries from other nations' Masters delegations by the USMS President and the International Liaison 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 social event or trip, or
- b) The total amount designated in the annual budget for such entertainment. (Approved 9-27-97; amended 10-14-00)
- c) The cost of gifts to be presented to dignitaries from other countries' Masters swimming organizations is also reimbursable. (Approved 10-4-98)

F. Miscellaneous Reimbursement Policies

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

2. Permissible Travel Expenses-These policies apply to all types of travel unless specifically modified by another section of FOG. Travel reimbursements is always limited to actual expenditures to destinations outside the traveler's home area that would generally require overnight stays (even if none occurs).(Approved 11-17-01)

All travel must be fully documented with receipts and a description of the business purpose of the travel.

a. Transportation-USMS will reimburse actual expenses for transportation to and from the travel destination including reasonable costs for transportation to and from airports (including parking). USMS will not provide reimbursement for travel costs of a companion.(Approved 11-17-01)

b. Lodging-USMS will reimburse for actual lodging expenses at the lowest available room rate. USMS will not reimburse for any auxiliary charges such as, but not limited to, movies, room service, phone, pets, damages or valet services. Meals, board or any other type of entertainment as defined by the Internal Revenue Service Code is not reimbursable.(Approved 11-17-010)

c. Whenever FOG allows for payment of airfares, alternative methods of transportation are allowed. Under no circumstances shall reimbursement for any method of transportation allowed under C, D, and E of this section 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; amended 9-24-93 and 10-14-00)

d. 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.

e. 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 10-21-88; amended 9-24-93 and 9-13-96)

3. Expenses for meals incurred by the National Sponsor Liaison in carrying out the directives of the Executive Committee in business dealings with current and/or potential vendors shall be reimbursed up to an amount not to exceed the lesser of:

- a) \$40.00 per guest per social event, or
- b) The total amount designated in the annual budget for such entertainment.

(Approved 9-27-97; amended 10-14-00)

3. Communications- USMS will reimburse the direct cost of any phone calls made on its behalf including allocable taxes. Access charges and base service charges are not reimbursable. Reimbursement for dedicated phone lines and internet charges or electronic mail will only be made upon advance approval by the President.(Approved 11-17-01)

G. Additional travel, not referred to elsewhere in FOG, by the Internal Auditor, YMCA Liaison, USA Swimming Liaison, and Sponsor Liaison is subject to the general travel policies of USMS and must be approved in advance by the President. Others, not referred to elsewhere in FOG, on USMS official business are subject to the general travel policies of USMS and must be approved in advance by the President.(Approved 11-17-01)

H. 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 9-21-90)

V. OVER-BUDGET PROCEDURES. Authorization to exceed original budgeted line item amounts, or to make an expenditure not included in the approved budget, is granted pursuant to the following procedures:(Amended 11-16-01)

A. Authorization to exceed budgeted line item amounts is required in advance of incurring the expenditure.(Approved 11-17-01)

B. Up to a cumulative total of \$500 in any one year may be approved for payment by the Controller.

C. 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.

D. 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 majority of the members of the Finance Committee and a majority of the members of the Executive Committee.

E. 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.

F. The approvals, or a summary thereof, obtained pursuant to V.B-D. above, shall be submitted in writing to the Controller prior to the disbursement of funds.

G. For expense items whose budgeted amount is based on the number of registered swimmers or a number of units sold, proportional expense overruns directly attributable to actual volume exceeding assumptions made for budgeting purposes are exempt from the requirements of FOG Paragraph V.

H. All new funding and overbudget spending since the last annual meeting shall be included in the minutes of the Finance Committee.(Added 11-16-01)

VI. VENDORS, BID PROCESS, AND VENDOR PAYMENTS

A. Budgeted Items

1. A minimum of three competitive bids is 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 the 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 10-21-88; amended 9-21-90, 10-1-94 and 9-13-96)

B. Vendor Payments

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, immediately forward the invoice to the cost center head for approval, and then the cost center head shall forward the invoice to the Controller for payment. (Approved 9-27-97; amended 10-14-00)

VII. INSURANCE

A. Bonding

1. The President, Treasurer, Controller, Executive Secretary, the Long Distance Committee Chair, the Championship Committee Chair, and
2. The Chair, Treasurer, and Registrar of each of the Local Masters Swim Committees ("LMSCs") that are in compliance with FOG IIB, shall be bonded in the amount of \$1,000,000 each. (Approved 10-82; amended 10-21-88, 9-21-88, 9-21-90, 9-24-93, 9-13-96 and 10-14-00)

VIII. 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. Cash in excess of the reserve funds in VIII.A.1.a and b plus 50% of USMS's total of budgeted expenses for the current fiscal year may be invested in one or more U.S. bond mutual funds according to the following guidelines:
 1. No commission or load of any kind (front end, back end, or level) may be paid.
 2. The bond fund(s) must invest in bonds with an effective average duration of not more than five years.
 3. The bond fund(s) must invest in bonds with an average credit quality of not less than A.
 - d. Cash, approximately equivalent to 3 months' expense requirements, should be kept in accordance with the guidelines of FOG VIII.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, Fidelity, T. Rowe Price, Salomon Smith Barney, Vanguard, and Bank of America.
- (3) In addition, the Treasurer is hereby granted specific authority to maintain funds of USMS in an amount not to exceed \$10,000 in financial institutions which do not meet the requirements set forth in VIII.A.1.e.(1) and VIII.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 VIII.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 within one year from the date of acquisition thereof, and at the time of acquisition, having a rating of A-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 shall not exceed \$100,000 from any one bank. (Approved 9-25-87; amended 10-21-88, 9-22-89, 6-25-92, 9-24-93, 10-1-94, 9-13-96 and 9-27-97)

B. 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 9-25-87; amended 9-13-96 and 9-27-97)

C. 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 10-21-88)

IX. PROPERTY AND EQUIPMENT

A. All property and equipment of USMS shall be retained by the person into whose custody it is given for the purpose of facilitating the work of USMS. If the person's assignment within USMS changes or he/she no longer has use for the equipment, it will

be made available to his/her successor, or others in USMS who may have a need for the equipment.

B. USMS equipment which is obsolete and not needed by any Board member or other USMS position may be sold. The priority is to make productive use of the property within USMS. However, consideration may be given to the age of the equipment, its replacement value, its maintenance cost, and cost of shipping.

C. Equipment sales are also subject to the following conditions:

1. All equipment sales must be approved by the USMS President and billed by the Controller.
2. When USMS equipment is to be sold, the sales price will be the greater of the fair market value of the equipment or \$25.

X. USMS FINANCIAL REPORTING

A. Controller

1. The Controller shall utilize a commercially available general ledger accounting software package. (Approved 10-21-88; amended 9-21-90 and 9-24-93)
2. On a quarterly basis the Controller shall supply to all spending entities a year-to-date listing of all items charged to his or her budget. (Approved 9-25-87; 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 10-21-88)

B. 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 9-19-86, 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 9-24-87; amended 9-24-93)

XI. LOCAL MASTERS SWIM COMMITTEES (LMSCs)

A. 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.

B. Each LMSC should use the same fiscal year as USMS, which is a calendar year.

C. 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.

D. 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. Any organization's gross receipts are considered to be normally in excess of \$25,000 if the organization is:

1. Up to a year old and has received more than \$37,500 in gross receipts during the first year;
2. Between one and three years old and averaged more than \$30,000 in gross receipts during each of its first two years; or
3. 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).

E. 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.

F. 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.

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

1. Verification of bank balances
2. Sample review of revenues
3. Documentation for expenses

H. It is recommended that the functions of Treasurer and Registrar not be performed by the same person. (Approved 9-24-93; amended 9-13-96)

XII. MISCELLANEOUS

A. The giving of gifts and awards is appropriate and consistent with the purposes of USMS and shall be encouraged. (Approved 10-82; amended 9-20-91, 9-24-93 and 11-16-01)

B. USMS shall donate \$.25 per registered swimmer per year to the International Swimming Hall of Fame, payable as invoiced. (Approved 9-19-86; amended 9-24-93, 9-13-96 ,10-14-00and 9-14-02)

C. 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 9-25-87; amended 9-24-93)

D. The President or the President's appointee shall negotiate contracts or agreements between USMS and sponsors, independent contractors and employees for goods and/or services for which budget approval has been obtained. Proposed contracts or agreements shall be reviewed by a representative of the Finance Committee, appointed by the Finance Committee Chair, prior to execution. (Approved 9-21-95; amended 10-14-00)

E. No Officer, Committee Chair, subcontractor, employee or other official of USMS shall accept any gift, meal or service with a value of more than \$25 (annual cumulative total of \$200) from any vendor, bidder, or sponsor. This policy does not preclude participation in large, sponsored events or acceptance of items made widely available.(Approved 11-17-01)