

UNITED STATES MASTERS SWIMMING, INC.
Financial Operating Guidelines
(As Amended through 9/15/2012)

TABLE OF CONTENTS

- I. Purpose
- II. Budgeting
- III. Receipt of monies
- IV. Disbursements and Reimbursements
 - A. General
 - B. Annual Meeting Expenses
 - C. National Championship Expenses
 - D. International Travel
 - E. Miscellaneous Reimbursement Policies
 - F. Other
 - G. Miscellaneous/Contingency budget
 - H. Credit Card
 - I. Cell Phones
- V. Overbudget Procedures
- VI. Vendor Bid Process and Vendor Payments
 - A. Bid Process
 - B. Vendor Payments
- VII. Insurance
- VIII. Investments and Reserves
- IX. Property and Equipment
- X. Financial Reporting
- XI. Local Masters Swim Committees
- XII. Miscellaneous
- XIII. Website Development Costs Policy

I. PURPOSE

United States Masters Swimming, Inc. (“USMS”) is dedicated to ensuring that all financial operations are conducted under the highest standards of integrity and ethics and in compliance with strict internal controls to safeguard the organization’s assets and provide a strong financial foundation. USMS has established Financial Operating Guidelines (“FOG”) for the purpose of maintaining in one place all of the financial operating guidelines, policies, and procedures currently in existence in United States Masters Swimming, Inc. (“USMS”). FOG will be updated and approved by the Finance Committee on an annual basis and shall incorporate any financial policy changes adopted by the Board. All changes to FOG shall be presented to the House of Delegates at the annual meeting. Copies will be made available to any USMS member through the National Office upon request.

II. BUDGETING

A. Prior to and as necessary during each annual meeting of USMS, each member of the Board of Directors, the Executive Director, the Chair of each Standing and Ad Hoc Committee, the Coordinators and individuals responsible for a Cost or Revenue Center shall submit written requests for budget allocations for the coming year and a forecast for the current year to the Executive Director. A Cost or Revenue Center is any line item that is managed by one person. The person responsible for the Cost or Revenue Center shall be known as a Budget Control Head. Each budget request will include sufficient detail in support of the request, and written explanations are required for any revenue, expense or capital line item more than \$1,000. The Executive Director shall compile detailed annual budget and related two-year financial forecast. He/she shall review these with the Treasurer. The Executive Director shall then prepare a summary financial plan and submit it and a summary of organizational goals and funding priorities to the Board. The Board shall review the organizational goals, funding priorities, and summary financial plan, amend and approve them. The Executive Director will then submit all to the Finance Committee: organizational goals, summary financial plan, funding priorities, two year financial forecast and related detailed annual budget.

B. After reviewing and adjusting the budget as submitted by the Executive Director, the Finance Committee will consider whether the detailed annual budget allocates resources appropriate to achieving the organizational goals and funding priorities set forth by the Board’s approval. After the Finance Committee approves the detailed annual budget as meeting the Board’s organizational goals and funding priorities, it is submitted to the Board for review, modification and approval. Any Board modifications to a single line item greater than \$10,000 shall be sent back to the Finance Committee for review, comments and approval. The Board shall submit a final proposed budget to the House of Delegates and recommend approval. Both the Executive Director and Finance Committee are required to submit a no deficit net income budget, unless otherwise authorized by the Board of Directors.

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 Executive Director for approval prior to incurring any financial obligation associated with the production of such project or item.

D. As a follow up to the budgeting process, the Executive Director shall work with the Treasurer and Controller to prepare a financial forecast after the quarters ending March, June and September for presentation to the Finance Committee and the Board. The purpose of this financial forecast shall be for the Board to adopt a financial plan for the remainder of the year consistent with carrying out the USMS Action Plan.

Presentation shall be made to the Finance Committee one week in advance of the next regularly scheduled monthly Board meeting. The Finance Committee shall review, comment and make suggestions for modifications. The Executive Director will take recommendations under advisement and present a final financial forecast to the Board. The Board shall review, amend and approve a financial forecast.

Any proposed spending increase in the financial forecast shall follow overbudget procedures in FOG section V. Following Board approval, the Executive Director shall notify all Budget Control heads as soon as possible about their respective budget revisions.

E. Budgeting Schedule:

1. June 1: Budget Control Heads with budgets greater than \$2,000 receive a budget request form from the Controller. Budget Control Heads with budgets less than \$2,000 need to notify the Controller if their budget will increase from the previous year, otherwise the budget will be renewed using the previous year's budget amount.
2. July 1: Budget Control Heads send budget request forms with their budget request for the coming year to the Controller.
3. July 15: Executive Director, Controller, and Treasurer review preliminary compiled budget.
4. August 1: Executive Director presents organizational goals, funding priorities, and summary financial plan to the Board.
5. August 15: Board approves organizational goals, funding priorities, and summary financial plan.
6. August 22: The Executive Director will distribute organizational goals, funding priorities, summary financial plan and detailed annual budget to the Finance Committee.
7. One week before the annual meeting Finance Committee will reach a general consensus regarding what should be done to reach a net surplus budget. The Board may release the Finance Committee from the obligation to reach a net surplus budget with specific deficit guidance.
8. The second day of the annual meeting: Finance Committee will approve the detailed budget for submission to the Board.
9. The third day of the annual meeting: The Board will approve a detailed budget for submission to the HOD for approval.
10. October: Controller finalizes detailed annual budget and two year financial forecast and provides copies to the ED, BOD and Finance committee, and breaks down budget by quarter (and month if feasible) and enters budget into accounting software.

III. RECEIPT OF MONIES

A. All monies received except electronic funds transfers shall be forwarded to the National Office. Receipt and processing of all monies are the responsibilities of the national office staff who shall follow procedures specified in Manual of Accounting Procedures (MAP).

IV. DISBURSEMENTS AND REIMBURSEMENTS

A. All requests to the National Office for disbursements of USMS funds, whether budgeted or not, shall be made in writing on a USMS Reimbursement Voucher. Invoices and USMS Reimbursement Vouchers must describe the item, provide the proper budget code and include approval by Budget Control Heads for their respective line item. In their absence, their Vice-President or the President or the Executive Director may approve such budgeted items. Non-budgeted requests must first proceed through the overbudget process under FOG Section V.

All requests for disbursement shall be submitted to the Controller either electronically or by mail. If sent electronically, receipts and invoices must be scanned and included to support the

request. In the absence of the Controller the reimbursement may be submitted to the Executive Director.

Any reimbursement for personal services provided to USMS by a Budget Control Head or by a company which the Budget Control Head has ownership greater than 5% or is controlled by a Budget Control Head must be approved by the Budget Control Head's respective Vice-President or the President or the Executive Director prior to submission for payment. All personal service requests for payment must also be accompanied by a completed IRS Form W-9, or one must already be on file with the Controller.

The Controller shall follow procedures specified in MAP in processing all disbursement requests, preparing checks and maintaining supporting documents. No checks shall be issued without approval by the Controller, or in the absence of the Controller, by the Executive Director or any member of the Executive Committee other than the Treasurer provided such person was NOT the requestor of funds to be disbursed.

The Executive Director may pre-approve preparation of checks or payments by direct bank debits for recurring monthly bills under the dollar limits set in MAP.

B. Annual Meeting Expenses

1. Members of the Board of Directors, Chairs of Standing, Board and Ad Hoc Committees, Zone Chairs, Coordinators, Executive Director and designated national staff and contractors shall be reimbursed by USMS for the following:

a. Actual expenses for travel to and from USMS annual meetings which includes flight (economy), baggage fees, ground transportation/shuttle and parking. Ground transportation/shuttle includes; round trip transportation from home/airport or mileage plus airport parking and round trip shuttle/cab from airport/hotel. This excludes rental cars.

Those who live close enough to drive their own cars to the annual meeting may be reimbursed as follows: 1) actual expenses or 2) the IRS business mileage rate. Actual auto expenses include the cost of gas, tolls, and parking.

Under no circumstances shall reimbursement for any method of transportation 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.

b. Actual lodging expenses while at the annual meeting site at ½ of the rate for a double occupancy room, with the exception of the President who shall have the option of a single occupancy room, including tax, for four nights ending with the night prior to the last USMS meeting. Members of the Board, the Convention Coordinator and the Controller shall be reimbursed for five nights ending with the night prior to the last USMS meeting. Exceptions to the four night policy may be made at the discretion of the Controller.

2. The Annual Meeting registration fee for all members of the Board of Directors, Chairs of Standing and Ad Hoc Committees, Liaisons, Appointments and Special Assignments, Zone Chairs, Coordinators, Executive Director and designated national staff and contractors shall be reimbursed by USMS.

3. All expenses incurred under FOG IV.B.1-2. shall be included in the Convention budget.

4. Those eligible to be reimbursed shall each directly pay their own expenses incurred under FOG IV.B.1-2., and shall subsequently be reimbursed upon presentation of a completed USMS Reimbursement Voucher Form and a copy of supporting documentation to the Convention Coordinator and the Controller.

5. If a chair of a Standing Committee is unable to attend the annual meeting, 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.B.1-2

6. The Convention Coordinator and the Controller may authorize the payment of the approved lodging portion directly to the hotel as set forth in FOG IV.B.3.

C. National Championship Expenses

1. Permissible Travel Expenses (defined in FOG IV.E.2.) of the following individuals incurred for the Spring and Summer Nationals shall be reimbursed:

- a. President or the next ranking available Officer (if the President is not available);
- b. Executive Director;
- c. National Office staff and contractors as approved by the Executive Director

2. Permissible Travel Expenses (defined in FOG IV.E.2.) of designated member(s) 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.

D. International Travel

1. Permissible Travel Expenses (defined in FOG IV.E.2.) for travel to and attendance at FINA World Championships by the USMS President, the Executive Director and the USMS-designated FINA Liaison only shall be reimbursed by USMS.

2. Permissible Travel Expenses (defined in FOG IV.E.2.) for travel to, and attendance at, the FINA Masters Technical meetings by the USMS designated representative shall be reimbursed by USMS.

3. Permissible Travel Expenses (defined in FOG IV.E.2.), and attendance at, Pan Pacific Championships and/or Masters Pan American Championships by the International Liaison or the USMS designated representative, the Executive Director and the USMS designated FINA Liaison shall be reimbursed by USMS and charged to the annual International Liaison, FINA Liaison, or the designated representative budget.

4. Expenses for entertaining dignitaries from other nations' Masters Delegations by the USMS President, the Executive Director, and the International Liaison or the USMS-designated FINA Liaison 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.
- c. The cost of gifts to be presented to dignitaries from other countries' Masters swimming organizations is also reimbursable.

E. Miscellaneous Reimbursement Policies

1. Employees and contractors of USMS and USMS volunteers shall be reimbursed for expenses incurred in the performance of their duties, subject to limitations contained elsewhere in this Section. Employees and contractors shall submit the appropriate reimbursement form with receipts to their supervisor for approval prior to reimbursement; the Executive Director shall submit the appropriate reimbursement form with receipts to the President. The volunteers shall submit the appropriate reimbursement form with receipts to their respective Budget Control Head for approval prior to reimbursement.

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

All travel expenses must be budgeted and 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 checked bag charges and costs for transportation to and from airports (including parking). The lowest logical coach airfare shall be used when air travel is required to the destination. Reimbursement for changes in flights is not permitted without the prior approval of the President or Executive Director. USMS will not provide reimbursement for travel costs of a companion.

b. Lodging-USMS will reimburse for actual lodging expenses at the lowest available room rate, where appropriate should be ½ of the rate for a double occupancy room. USMS will not reimburse for any auxiliary charges such as, but not limited to, movies, room service, non-preapproved internet service, phone, pets, damages or valet services.

c. Meals for employees, contractors and volunteers* are reimbursable only if an overnight stay is required and is limited to personal use and the lesser of actual or CONA per Diem. An exception to volunteer meals is the annual meeting. Volunteers will not be reimbursed for meals during the annual meeting. Other types of entertainment as defined by the Internal Revenue Code are not reimbursable except as permitted in FOG IV.D.4 and FOG IV. E.3.

*Volunteers eligible for reimbursable meals include: Board of Directors, Audit Committee, Investment Committee, Championship Committee, Officials Committee, Long Distance Committee, Open Water Committee, FINA rep, UANA delegate and the ISHOF and USAS liaison. Other volunteers may be included at the discretion of the Controller.

d. 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 f and h 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.

e. Reimbursement for personal auto use for such purposes shall be at the IRS standard business mileage rate or the actual gas, tolls, and parking for the trip.

f. Reimbursement for rental cars is not permitted without the prior approval of the President or Executive Director (the President if such rental car is for the Executive Director). Such approval will be based on a comparison of costs for such rental car compared to other means of transportation as well as other factors deemed appropriate by the Controller and Executive Director. USMS will not reimburse for rental car insurance.

g. Any individual 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.

2. Expenses for meals incurred by the Executive Director or USMS staff in carrying out the directives of the Executive Director in business dealings 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.

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 Executive Director.

F. Others not referred to elsewhere in FOG, on official USMS business are subject to the general travel policies of USMS and must be approved in advance by the President.

G. The commitment or use of any funds from the "Miscellaneous/Contingency" budget shall be approved in advance by a majority of the Board of Directors.

H. Prior authorization by the President and Treasurer is required for use of any credit card(s) issued to USMS. Such use shall be limited to budgeted expenses.

I. Corporate cell phones, equipment and monthly service charges, are limited to the following staff members and only if included in the annual budget: Executive Director and Director of Operations. All other reimbursements for cell phone use are controlled by FOG IV, E.1.

V. OVER-BUDGET PROCEDURES

Authorization to exceed a budgeted line item, or to make an expenditure not included in the approved budget, is granted pursuant to the following procedures:

A. Authorization to exceed a budgeted line item amount is required in advance of incurring the expenditure pursuant to the relevant paragraph(s) of V.D.-G. below.

B. Authorization to make an expenditure not included in the original budget for any one fiscal year is required in advance of incurring the expenditure, pursuant to the relevant paragraph(s) of V.D.-G below.

C. Prior to authorization to engage personnel, should such engagement result in the expenditure of USMS monies not included for such personnel in the original budget for any one fiscal year, the salary range for the position must first be approved by the Compensation and Benefits Committee and is required in advance, pursuant to the relevant paragraph(s) of V.D.-G below.

- D. Up to a cumulative total amount of \$1,000 per line item in any one year may be approved for payment by the Controller or Executive Director.
- E. A cumulative amount in excess of \$1,000 but not more than \$5,000 per line item in any one year may be approved for payment by the Controller following approval by a majority vote of the members of the Finance Committee.
- F. A cumulative amount in excess of \$5,000 but not more than \$10,000 per line item in any one year may be approved for payment by the Controller following approval first by a majority vote of the members of the Finance Committee and then by a majority vote of the Executive Committee, in that order. Should there not be a majority vote of the Finance Committee in favor of the expenditure, it will then take a two-thirds favorable vote by the Executive Committee to approve the expenditure.
- G. A cumulative amount in excess of \$10,000 in any one year per line item may be approved for payment by the Controller following approval by a majority vote of the Finance Committee, a majority vote of the Executive Committee, and a majority vote of the Board of Directors, in that order. Should there not be a majority vote of the Finance Committee in favor of the proposed expenditure, it will then take a two-thirds favorable vote of the Executive Committee to approve the expenditure before submitting the proposal to the Board of Directors, which then must also approve the proposed expenditure by a two-thirds favorable vote.
- H. A cumulative amount not more than \$10,000 per line item in any one year that has been rejected by the Controller, Executive Director, Finance Committee or Executive Committee may be approved by a two-thirds majority vote of the Board of Directors.
- I. Notwithstanding paragraph(s) of V.D.- G. above, The Executive Director may reallocate budget amounts within or between Budget Controls up to a maximum of \$10,000. All such reallocations must be submitted in writing to the Budget Control Heads, Finance Committee and Board prior to implementation. Proposals to reallocate more than \$10,000, regardless of the net impact must follow the procedures outlined in paragraph(s) of V.D.- G. above.
- J. The approvals, or a summary thereof, obtained pursuant to V.E., F., G and H., shall be submitted in writing by the Chair of the Finance Committee, and/or the Secretary of USMS as appropriate to the Controller prior to the disbursement of funds.
- K. 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.
- L. The Controller shall maintain a list of all over-budget requests indicating which are approved and not approved. All new funding and overbudget spending since the last annual meeting, shall be presented to the Finance Committee at the annual meeting, and included in the minutes of the Finance Committee.
- M. Over budget (OB) requests should be made using the USMS Overbudget Request Form and be sent to the Controller who after review will forward the request and documentation to the Finance Committee. The request should include the following:
- A written explanation for the OB request, including how the expenditure furthers the USMS Action Plan for the fiscal year,

- Appropriate mathematical calculations supporting the request,
- Identification and calculation of any expected benefits, including number of members directly impacted
- Savings or potential reductions or reallocations in other expenditure line items
- Dollar itemization of major components of the OB request,
- If the OB request is reimbursement for after the fact, an expenditure contrary to FOG V. A & B., then an explanation why the unauthorized expenditures were made must be provided,

An OB request may include brief descriptions of alternative spending plans and explanations why they were not chosen.

VI. VENDOR BID PROCESS AND VENDOR PAYMENTS

A. Bid Process for Budgeted Items

1. A minimum of three competitive bids is required for any single expenditure in excess of \$5,000, 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 Budget Control Head shall solicit written bids that meet the requesting party's written specifications.

b. Following selection of a vendor, the Budget Control Head 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 Director, 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 Director, 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.

5. An exception to this policy may be granted for service providers to ensure continuity of service to the organization. Such exceptions must be approved by the Treasurer and Controller, with notification to the Finance Chair. A list of these exceptions will be maintained in MAP.

B. Vendor Payments

Vendors shall be notified at the time an order is placed to direct all invoices to the Budget Control Head. The Budget Control Head shall confirm the receipt and pricing of items ordered and complete a USMS Reimbursement Voucher Form. The invoice and all payment

documentation, once complete, shall be immediately forwarded to the Controller for processing as specified in MAP. Checks are presented to the Treasurer for signature and mailing.

VII. INSURANCE

The Following Individuals shall be bonded by USMS in the amount of \$1,000,000 each:

A. The President, Treasurer, Immediate Past Treasurer, Executive Director, Controller, Membership Services Coordinators, the Long Distance Committee Chair, the Championship Committee Chair, the Finance Committee Chair, the Investment Committee Chair, and the Audit Committee Chair and

B. The Chair, Treasurer, and Registrar of each of the Local Masters Swim Committees (“LMSCs”) that are in compliance with FOG .XI.G. and H.

VIII. INVESTMENTS AND RESERVES

The investment assets of USMS are intended to support an ever-broadening array of activities in support of the USMS mission. USMS has adopted an investment philosophy with a primary goal to invest the financial assets of the organization, in excess of funds needed for current operations, and to provide maximum earnings growth, based on a total return approach, consistent with a policy of prudent investment and protection of assets. The Board has delegated to the Investment Committee the responsibility for overseeing its long-term investment program operating within an approved Investment Policy. The Investment Policy does not apply to the USMS Swimming Saves Lives foundation or the Central Indiana Community Foundation, Inc.

A. Equity Reserves shall be maintained such that USMS has \$120,000 in an insurance reserve and a \$150,000 general reserve in cash or cash equivalents. In addition to these Reserves a portion of the longer term investments must have immediate liquidity to cover at least four (4) months of the current year budgeted expenses. This reserve requirement shall be tested each calendar quarter by the Controller to insure compliance. If the reserve is out of compliance, the required reserve amount shall be met by the end of the next calendar quarter.

B. Investments

1. Short-Term Investments - The following investment vehicles are acceptable to USMS including the LMSCs for the investment of their cash balances:
 - (a) Checking accounts, certificates of deposit or money market accounts issued by U.S. banks in an amount not to exceed the current maximum insurance payable by the Federal Deposit Insurance Corp, (FDIC). Information on FDIC insurance can be found at www.fdic.gov.
 - (b) Money market mutual funds that seek to maintain a stable net asset value of \$1.0. **Money market mutual funds are not a deposit of a bank and are not insured or guaranteed by the FDIC.** It is possible to lose money by investing in a money market mutual fund. Before investing in a money market mutual fund, the prospectus should be read carefully and a fund’s investment objective, risks and expenses should be considered.
 - (c) 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.B.1.e.(1) and

VIII.B.1.e.(2). This exception is granted to facilitate the transfer of funds between the operating disbursement accounts and the longer-term investments.

- (d) On an annual basis the Investment Committee will review the list of investments in VIII.B.1.a. and b. for continued inclusion or replacement.
- (e) USMS and any of the LMSCs may own obligations consisting of U.S. dollar-denominated investments meeting any of the following criteria:
 - i) Marketable, direct obligations of the United States of America maturing within two years from the date of acquisition thereof;
 - ii) 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 Investors Service, Inc, or F-1 or higher by Fitch Rating; and
 - iii) 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 issued by a commercial bank that is FDIC insured. Such certificates of deposit shall not exceed current FDIC insurance limits from any one bank.

- 2. Long-Term Investments - A portion of the investment balances of USMS may be invested in a different fashion in accordance with the Investment Policy. To achieve USMS investment objectives, a long-term strategic asset allocation among several asset classes will be determined. Since long-term higher returns are very important in meeting the objectives of the USMS investments, the asset allocation shall contain a mixture of equities and fixed income that subject the portfolio to the potential of moderate, but not devastatingly large short-term losses, and provide the potential for higher long-term returns. The equities shall be diversified among international and domestic, as well as large, mid and small cap investments. The fixed income funds shall be in domestic, investment grade securities (generally considered to be rated BBB or better by a nationally recognized statistical rating organization). In implementing the asset allocation only readily marketable mutual funds and money market funds shall be utilized.

C. All authorized signers on all USMS' bank and investment accounts shall prepare and sign one 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.

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 Executive Director 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. FINANCIAL REPORTING

A. Controller

1. The Controller shall utilize a commercially available general ledger accounting software package.
2. The Controller shall prepare monthly, quarterly and annual financial and operational statements in accordance with MAP.
3. The Controller shall provide to all Budget Control Heads a year-to-date listing of all items charged to his or her budget on a time frame according to MAP.
4. The Controller shall maintain a property and equipment log showing:
 - a. The date purchased,
 - b. Original cost and depreciation schedule, and
 - c. Description of the equipment together with serial numbers.
5. The Controller shall compile a list of all physical inventories as of year-end, adjust book inventory accordingly, and retain the inventory count lists as part of year-end permanent documents.

B. Miscellaneous Reporting

1. The draft audited financial statements of USMS shall be submitted to the Audit Committee within five calendar months after the close of USMS' fiscal year-end.
2. Copies of all audit schedules prepared for auditors shall be made available to the Audit Committee concurrent with distribution to the auditors.
3. Audited financial statements and related management letters, shall be reviewed by the Controller, Treasurer, Executive Director and Audit Committee prior to finalization. Final audited financial statements and related management letters shall be submitted to the Finance Committee and Board prior to the annual meeting.
4. All income tax returns shall be submitted to the Audit Committee for review. The committee shall submit a report to the Board prior to Board review.
5. All individuals and committees who are responsible for items carried on USMS' financial records as inventory shall maintain proper inventory control records and submit an annual inventory report to the Controller within two weeks after the close of USMS' fiscal year-end.

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. Per IRS guidelines, all LMSCs must file an annual tax return. LMSCs with less than \$50,000 in gross receipts must file online using the 990-N form. LMSCs with greater than \$50,000 in gross receipts must file the 990-EZ or 990 form. Copies of 990s, 990-EZs and 990-Ns must be sent to the USMS National Office. LMSCs should refer to the LMSC Minimum Standards and IRS for filing requirements and consult with a tax advisor. All LMSCs are reminded that income unrelated to exempt activities may be taxable.
- 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. Bank accounts shall be reconciled by someone other than an authorized check signer to qualify for LMSC bonding insurance. 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. The functions of Treasurer and Registrar shall not be performed by the same person.
- I. USMS reserves the right to inspect all financial records of any LMSC upon reasonable notice to the LMSC. This is because all LMSCs have 501(c)(3) exempt status as members of USMS's group exemption.

XII. MISCELLANEOUS

- A. The giving of gifts and awards is appropriate and consistent with the purposes of USMS and shall be encouraged. The making of grants to individuals shall only be made after legal review to ensure compliance with IRS tax-exempt guidelines.
- B. USMS shall donate an amount to be determined annually by the Finance Committee and approved by the HOD in the budget to the International Swimming Hall of Fame.
- C. The price 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 dollar.

D. The President, the Executive Director, 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 greater than \$10,000 shall be reviewed by a representative of the Finance Committee, appointed by the Finance Committee Chair, and a summary report thereof shall be issued to the Finance Committee for its review and comment to the Board prior to execution.

E. Unless specifically disclosed as part of a previously signed conflict of interest statement, no Officer, Board member, Committee Chair, subcontractor, employee or other official of USMS shall accept any gift of more than \$25 (annual cumulative total of \$200) and or any meal with a value of more than \$75 from any USMS vendor, bidder, or sponsor. This policy does not preclude participation in large, sponsored events or acceptance of items made widely available.

F. Emergency/Disaster Over-Budget Procedure

In the event of an unanticipated occurrence which substantially inhibits or prevents the performance or maintenance of a necessary function of USMS, whether such occurrence relates to personnel or equipment, and delay in responding to such unanticipated occurrence will be damaging to the best interests of USMS and its members, then any two (2) members of the Executive Committee or the Executive Director and one member of the Executive Committee may authorize the expenditure of such funds as may reasonably be necessary to address the unanticipated occurrence. As soon as practical thereafter, such officers shall communicate in writing the substance of the unanticipated occurrence and their reasons for proceeding to the Executive Director, the Finance Committee, the Executive Committee and the Board of Directors. Thereafter such expenditure(s) to the extent that it exceeds budget shall be subjected to the applicable over-budget procedure.

G. Travel Restrictions for Key Employees

Due to operational considerations, only two key employees of USMS may travel together. Key employees must share a travel calendar, including flight numbers, in order to comply with this policy. Exceptions to this policy must be pre-approved by the President or Secretary. Key employees are the Executive Director, IT Director, Controller and Editor-in-Chief.

H. Future Year Financial Commitments

For a financial commitment greater than \$25,000 outside of the current year budget, a spending plan shall be submitted to the Finance Committee. The Finance Committee shall review and comment on the commitment to the Board of Directors.

The Board will take the recommendation of finance committee under advisement, and report back to the Finance Committee.

XIII. Website Development Costs Policy

A. Purpose

The purpose of the Website Development Costs Policy is to provide guidance in determining which website costs to capitalize and which to expense.

B. Overview

Authoritative guidance categorizes website development costs in the following five stages:

1. Planning the website
2. Developing the application and infrastructure
3. Developing graphics
4. Developing content
5. Operating the site

Generally, during the planning stage (1), website development costs should be expensed as incurred. During the infrastructure development stage (2-4) costs should be capitalized. During the operating stage (5) costs should be expensed as incurred and the amortization of capitalized costs should begin. USMS has arrived at the operating stage but from time to time devotes resources to development.

C. Definitions and Treatment

1. Planning the Website consists of developing a plan, determining the purpose and functionality of the site, identifying the hardware and software needed, conceptualizing graphics and content, and identifying software and personnel needed to design and develop the site. All costs in this stage are expensed as incurred.

2. Developing the Applications and Infrastructure includes acquisition and development of both hardware and software needed to operate the site. Costs for the following generally should be capitalized: costs incurred to obtain and register an Internet domain name; to develop or acquire the software tools needed for the development work; software for general website operations; customization of code for web applications, database software, and software to integrate applications; development of HTML web pages or templates, installing developed applications on the web server; creating links to other websites or locations within the website; and testing website applications.

3. Developing Graphics involves designing and laying out the web pages, which provide the look and feel of the site. The graphics generally stay consistent even though content may change. Graphics are a component of software and generally should be capitalized. Later modifications to graphics should be evaluated to determine whether they represent maintenance or website enhancements.

4. Developing Content consists of two parts – creating content (which may involve populating databases) and entering the content into the website. Content may be developed internally or acquired from third parties. Costs to convert databases to HTML pages and to input content into a website generally should be expensed as incurred. Costs to integrate a database with the website generally should be capitalized as an application development cost.

5. Operating the site. Costs in the post implementation stage such as training, administration, and maintenance, including ISP web-hosting fees, should be expensed as incurred.

In general, enhancements to the site should be capitalized if it is probable that they will result in added functionality, such as search engines, database access, and purchase features like credit card use. Costs should be capitalized when they are expected to bring economic benefits to future periods. Examples of this are the ability to generate revenues directly from the website (e.g. online meet entry) or direct and substantial access to services (e.g. committee reports or meet results). Costs for minor upgrades and enhancements that cannot be reasonably separated from maintenance costs should be expensed as incurred.

The determination as to what meets the criteria for capitalization will in each case depend on specific facts and circumstances.

D. Policy

Projects having a cost of \$50,000 or more and an estimated to have a useful life of at least 3 years shall be capitalized. Capitalized costs will be amortized on the straight-line basis over the estimated useful life. The amortization period depends on how long the software is expected to be used, considering technology and obsolescence. Amortization should begin for each module or component of a project when the module or component is ready for its intended use. Development costs should be capitalized and amortized over a period during which significant changes to the site are not anticipated.

Project costs will be determined as follows:

Internally developed: costs plus benefits for salaried employees calculated as cost per hour based on a 2,080 hour work year, plus any specifically related travel or other out-of-pocket costs, plus any purchased development tools,

USMS contractors and external consultants: actual costs for services plus any specifically related travel or other out-of-pocket costs, plus any purchased development tools.

For budgeting purposes all costs will be included in the web operations line item, account #5685.

All projects should be defined and tracked and reported to the controller and finance committee chair at the end of each calendar quarter with hours detail incurred on the project. Each report will report the current quarter and year to date. The report will also identify any out-of-pocket costs and purchased development tools attributable to the project.

Determination of whether individual tasks are separate parts of one project, or actual separate projects shall be based on the facts and circumstances in each case. This does not preclude parts of a project taking place in two years.