

**Committee Name:** Finance Committee

**Committee Chair:** Guy Davis

**Minutes recorded by:** Guy Davis

**Date/time of meeting:**

7/26/22 8:00PM ET

## Actions Taken:

**The FC approved proposed changes to the Financial Operating Guidelines (“FOG”) for recommendation to the BOD for adoption.**

**# of committee members present: 8**

**Absent: 4**

**Guests: 0**

**Committee members present:** Guy Davis - Chair, Ralph Davis, Teddy Decker - Treasurer-Ex-officio, Phil Dodson, Jeanne Ensign, Brandon Franklin, Dawson Hughes - Ex-officio, Gary Keehner - Controller -Ex- officio.

**Committee members not present:** Ashley Branieceki, Jill Gellatly, Homer Lane - Vice Chair, Laura Winslow.

**Guests:**

## Minutes

- 1) The meeting was called to order at 8pm Eastern. No conflicts were declared. Before the meeting, apologies from Ashley, Jill, Homer, and Laura had been received.
- 2) Gary Keehner, the new USMS Controller, was welcomed to the committee and introduced to those on the FC who have not yet had an opportunity to meet him.
- 3) The minutes of the May 10 meeting were approved, as amended.
- 4) **The proposed changes to the Financial Operating Guidelines (“FOG”)** were discussed, and subject to some housekeeping changes for clarity **were approved for recommendation to the BOD for adoption.** Relevant sections of the “Financial Policies” document will be incorporated into the FOG which it is proposed will be renamed the “Financial Policies and Operating Guidelines” but the document will continue to be referred to in abbreviation by the familiar term FOG.
- 5) Dawson updated the FC on the financial performance and forecast for USMS in 2022, the budget outlook for 2023, and preliminary projections for 2024-25.
  - a. The 2022 forecast is now that USMS will finish the year with 56k members, an increase of around 10% vs. 2021. The forecast net operating loss is \$560k. However, given the significant capital expenditures in recent years, primarily to support the digital transformation, 2022 will be the year of peak depreciation (a non-cash charge to the income statement) and the forecast net operating loss excluding depreciation is much less at \$215k. USMS proposes to meet the cash flow needs by taking the budgeted transfer from reserves (\$143.8k) and drawing a temporary loan on the SSLF cash reserves of up to \$100k. A detailed cash flow forecast will be drawn up by the Controller in September and any further short term borrowing required in 2022 will be drawn on USMS’s line of credit if necessary.
  - b. 2023 assumptions. Preliminary key assumptions are that membership will increase to 60k, current planned strategic initiatives will go ahead, the already approved additional staff to support the club and event development initiatives of the strategic plan will be added and the likely increase in compensation in line with market driven pay increases (driven by the current increase in overall wage inflation) will result in approximately 7-8% increase in payroll costs, and there will be one national volunteer meeting. The national leadership of USMS plans to partner with LMSCs to align investments of national and local resources to support the strategic growth plan and to enhance member value. Dawson noted that LMSC reserves in aggregate on a national scale have increased over \$600k through the pandemic, and now stand at over \$2.8m. The national office and USMS leadership proposes to partner with LMSCs to invest some of these resources locally to increase member value and support membership growth.
  - c. Longer term outlook. The membership growth rate is expected to decline after its post pandemic recovery but to remain positive in the low single digits per cent.
  - d. Against this background, the management team, in consultation with the BOD and the FC, is refining its recommendation that the membership fee be increased in 2023 with the following broad goals: to provide the staffing necessary to support the agreed growth strategies focussing on club and event development; and to return USMS to

around breakeven net operating income in 2025 (with progressively lower net losses in 2023 and 2024). Based on preliminary analysis to date, an increase in the annual membership fee to around \$70 in 2023 will be required. This increase is in line with cumulative inflation since the unified membership fee was last set by the HOD at \$60 in 2018. The analysis in support of the recommended fee increase will be further refined for the next BOD and FC meetings, based upon which the BOD will make a proposal for fee changes to be considered by the HOD at the Annual Meeting in September.

- 6) The FC discussed these projections and assumptions and indicated their broad support for the financial plan and the (preliminary) proposed membership fee increase.
- 7) The next meeting has been scheduled for August 23, as part of the proceedings of the Annual Meeting. The FC meetings to complete the budget process in October and November will be scheduled shortly.
- 8) No new business was brought forth.

The meeting was concluded at 9:10pm.

Respectfully Submitted,

Guy Davis, Chair