



South Dakota High School Activities Association

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FINANCE ADVISORY COMMITTEE MEETING THURSDAY, AUGUST 3RD 10:00 AM, SDHSAA OFFICE- PIERRE, SD

AGENDA

1. Call the meeting to order, record of members present and absent, establish quorum
2. Pledge of Allegiance
3. Approve Agenda
4. Approve Minutes of February 22nd, 2017 Committee Meeting
5. Introduction of Committee Members
 - a. Board- Bud Postma- Madison, Steve Morford- Spearfish, Sandy Klatt- Brandon Valley
 - b. Superintendents- Dr. Jeff Danielsen- Watertown, Mark Naugle- Custer
 - c. Athletic/Activities Directors- Chuck Wilson- Todd County, Sherrie Kafka- Gregory
 - d. Principal- Adam Shaw- Madison
 - e. Business Manager- Darla Mayer- Pierre
6. Discussion on appointment of new members
7. Audit Report- Isaac Jahn
8. Review of Corporate Contracts- Dan Swartos
9. Review of Current Budget- Isaac Jahn and Dan Swartos
10. SDHSAA Foundation
11. Propose recommendations to Board of Directors
12. Adjourn

Respectfully Submitted,

Dr. Daniel Swartos
Executive Director

SDHSAA- Serving Students Since 1905

Board Chairperson – Mr. Bud Postma
Assistant Director – Ms. Jo Auch
Assistant Director – Mr. Brooks Bowman

Executive Director – Dr. Daniel Swartos
Assistant Director – Mr. John Krogstrand
Finance Director – Mr. Isaac Jahn

SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017

MEETING CALLED TO ORDER AT _____ AM/PM

AGENDA ITEM NO. 3

SUMMARY STATEMENT: Approve the agenda.

STAFF RECOMMENDATION: Approval.

Motion to _____ by: _____, Second by: _____

Voting record:

Postma: _____

Morford: _____

Klatt: _____

Danielsen: _____

Naugle: _____

Wilson: _____

Kafka: _____

Shaw: _____

Mayer: _____

Vote Tally- Yea: _____

Nay: _____

Motion Passes/Fails

**SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017**

AGENDA ITEM NO. 4

SUMMARY STATEMENT: Approve minutes from the February 22, 2017 finance committee meeting.

STAFF RECOMMENDATION: Approval.

Motion to _____ by: _____, Second by: _____

Voting record:

Postma: _____	Morford: _____
Klatt: _____	Danielsen: _____
Naugle: _____	Wilson: _____
Kafka: _____	Shaw: _____
Mayer: _____	

Vote Tally- Yea: _____ Nay: _____ Motion Passes/Fails



**SOUTH DAKOTA HIGH SCHOOL ACTIVITIES
ASSOCIATION
FINANCE ADVISORY COMMITTEE REGULAR
MEETING
SDHSAA OFFICE BUILDING**

February 22, 2017

10:00 a.m.

Pierre, South Dakota

The Finance Advisory Committee held a regular meeting on February 22, 2017, at the SDHSAA Office Building in Pierre, South Dakota with members present as follows:

Steve Morford Dr. Jason Uttermark Sandy Klatt Dr. Jeff Danielsen Chuck Wilson
Adam Shaw Darla Mayer

Members absent: Mark Naugle and Sherrie Kafka

Staff members present included Wayne Carney and Brooks Bowman. Brad Reinke, Reinke Gray Wealth Management Representative, was also in attendance as well as Dr. Kelly Glodt, Mr. Tom Cameron, and Mr. Dean Wink of the SDHSAA Foundation Board, former SDHSAA Board Member Mr. Curt Hart, and Superintendent Mr. Dan Swartos.

The meeting was called to order by Chairman Morford at 10:07 a.m. followed by the Pledge of Allegiance.

The Committee picked up with agenda item number 10 from the meeting of January 10, 2017:

10. Update on corporate contracts/extensions.

The Committee reviewed the correspondence from the four current corporate partners who have requested their financial contributions be directed to the SDHSAA Foundation. Sandy Klatt requested the following of the Foundation Board of Directors:

- 1) A guarantee how/where Foundation revenue would be spent,
- 2) A guarantee that the Foundation Board would act in such a manner as to help all member schools, and
- 3) Wanted to know the purpose of the SDHSAA contingency (reserve) fund—was the purpose of the contingency fund for operational expenses vs. on-going expenses?

Following review of many documents and much discussion, it was moved by Sandy Klatt, seconded by Dr. Jeff Danielsen, to make the following recommendations to the SDHSAA Board of Directors:

- The Board of Directors of the SDHSAA should consider the requests of the corporate sponsors as documented in the letters received from them.
- The Board of Directors should develop a policy to differentiate between SDHSAA corporate sponsors and SDHSAA Foundation partners including promotional benefits available to each.
- The SDHSAA should formalize in policy the allowable uses of SDHSAA foundation earnings.
- The revenue and expenditures of the SDHSAA should be reviewed and recommendations developed with the goal to make SDHSAA self-sufficient.

It was also a request from the Committee that a three year revenue and expenses projection be prepared and presented annually to the Finance Advisory Committee and to the membership during the Annual Meeting of the Association in April.

Executive staff presented the Committee with the following proposals which would allow the Association to eliminate the following costs to the member schools:

- 1) Catastrophic and liability insurance—\$170,000
- 2) Dues—\$10,000
- 3) Subscription and postage fees—\$22,500
- 4) Eliminate the participation fees—\$160,000

Budget Proposals

2017-2018

INCOME

<u>Line Item:</u>	<u>Description:</u>	<u>Income:</u>
4403	Invoice for subscription and postage fees:	\$22,500
4504	Invoice for membership dues:	\$9,500
4510	Invoice for catastrophic/liability insurance:	\$173,000

NOTE: Do not provide catastrophic and liability insurance for member schools.

Increase sub-state ticket price \$1.00 for all activities which have a sub-state event. \$210,000
Use that revenue to pay for line items 4403, 4504, and 4510 OR eliminate participation fees for all member schools in the amount of approximately \$155,000.

Leave sub-state ticket prices where they currently are but designate \$1.00 from \$210,000 each ticket to pay for line items 4403, 4504, and 4510 OR eliminate participation fees for all member schools in the amount of approximately \$155,000.

Enter into a clothing contract with a vendor for all SDHSAA state events. Team IP submitted a proposal for \$60,000 per year plus a possible percentage. Fine Designs submitted a proposal for \$80,000 per year for 3 years plus a possible percentage and staff clothing.

During the 2015-2016 fiscal year sub-state events generated \$1,093,584.00 in revenue of which the Association received either 30% or 40% depending on the event being a district event or a region event. The percentage to the Association was \$390,726, or 35.7%. The remaining amount, \$702,858, was divided between the schools involved in the contests. If the Association percentage were set at 50%, this would have generated an additional \$156,066 dollars which would cover the cost of the current participation fees for all member schools with the remaining \$546,792 to be divided among the schools involved in the contests.

EXPENSES

<u>Line Item:</u>	<u>Description:</u>	<u>Savings:</u>
5335	Eliminate board of directors travel reimbursement, OR: Reimburse at 50%	\$25,000 \$12,500
Various	Reimburse team expenses at 40%--see NOTE below	\$100,000
5314	Eliminate financial assistance to SDHSCA summer clinic	\$5,000
5331	NFHS Summer Meeting—executive staff attendance only	\$15,000

NOTE: Allow board members one summer meeting during their time on the board

5359	Eliminate financial assistance to SDIAAA	\$2,000
5361	Eliminate printing and make available on line	\$1,000
5362	Eliminate printing and make available on line	\$7,500
6290	Eliminate sub-state football losses	\$2,200
Various	Eliminate tournament bands	\$4,800
5390	Eliminate third year clothing allowance for BOD's member	\$500
6661	Eliminate digital music ballots	\$3,100

NOTE: General Sport Section of the Athletic Handbook, page 16:

TEAM EXPENSES

Each school shall pay the entire expense of all its contestants and coaches at the various state meets. Each school will receive partial reimbursement by the Association as described hereinafter.

NOTE: There will be no reimbursement for team expenses in any sport until the conclusion of the fiscal year. Schools may utilize reimbursement money in such a way as deemed appropriate to help defray cost for the tournaments. It should be emphasized that there is no reimbursement in the sports of tennis, golf and cross country. (This policy was adopted by the Board of Directors at the June 17-18-19, 1981 meeting.) **In the event that SDHSAA expenditures exceed receipts, reimbursement for team expenses will be reduced in all sports on a pro-rated basis in order to realize a balanced budget.**

In recent years, when team expenses are reimbursed at 100% of the current formulas, the total dollar amount is approximately \$250,000. As a result, each 20% is equivalent to \$50,000.

SUMMARY:

It would be the goal of the Association to eliminate the following costs to the member schools:

- 1) Catastrophic and liability insurance—\$170,000
- 2) Dues—\$10,000
- 3) Subscription and postage fees—\$22,500
- 4) Eliminate the participation fees—\$160,000

Total: \$362,500

Those costs can be covered by:

OPTION 1:

With the:

- \$1 sub-state ticket, \$210,000,
- increase the current 30%/40% district/region income to 50%

An additional \$365,000 would be generated.

OPTION 2:

With the:

- Increase the current 30%/40% district/region income to 70%

An additional 374,000 would be generated.

Team reimbursements would be determined at the end of the year to balance the budget, and this would allow for growth in the Foundation by recommending to the BOD's that all corporate dollars be directed to the Foundation as per the request of the corporate sponsors.

It was moved by Sandy Klatt, seconded by Dr. Jeff Danielson, that the SDHSAA Board of Directors should recommend to the SDHSAA Foundation Board that the SDHSAA Foundation should become a 501(c)(3) tax-exempt nonprofit organization.

The motion passes 5-2. Those voting aye were: Dr. Jason Uttermark, Sandy Klatt, Dr. Jeff Danielsen, Adam Shaw, and Darla Mayer.

Those voting nay were: Steve Morford and Chuck Wilson.

Being no further business to come before the Committee, it was moved by Sandy Klatt, seconded by Dr. Jason Uttermark, to adjourn.

The motion passed 7-0.

Respectfully submitted,

Wayne Carney
Executive Director

SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017

AGENDA ITEM NO. 6

SUMMARY STATEMENT: Discuss the appointment of new members to the finance committee. Bud Postma would take over as chair of the committee for Steve Morford. Dr. Jason Uttermark would leave the committee as a Board of Directors representative. The committee and chair should recommend appointment of a new member to take Dr. Uttermark's place.

STAFF RECOMMENDATION: Consider a replacement for Dr. Uttermark to forward to the Board of Directors for approval

Motion to _____ by: _____, Second by: _____

Voting record:

Postma:	_____	Morford:	_____
Klatt:	_____	Danielsen:	_____
Naugle:	_____	Wilson:	_____
Kafka:	_____	Shaw:	_____
Mayer:	_____		

Vote Tally- Yea: _____ Nay: _____ Motion Passes/Fails

**SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017**

AGENDA ITEM NO. 7

SUMMARY STATEMENT: Finance director Isaac Jahn will review the FY 2016 Audit with the committee.

STAFF RECOMMENDATION: Acknowledge receipt of audit report

Motion to _____ by: _____ , Second by: _____

Voting record:

Postma: _____

Morford: _____

Klatt: _____

Danielsen: _____

Naugle: _____

Wilson: _____

Kafka: _____

Shaw: _____

Mayer: _____

Vote Tally- Yea: _____

Nay: _____

Motion Passes/Fails

**SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017**

AGENDA ITEM NO. 8

SUMMARY STATEMENT: Dr. Swartos will review and update current corporate sponsor contracts with the Finance Committee

STAFF RECOMMENDATION: Informational item. No action.

**SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017**

AGENDA ITEM NO. 9

SUMMARY STATEMENT: Mr. Jahn and Dr. Swartos will review the proposed FY18 budget with the finance committee with updates pertaining to corporate sponsors.

STAFF RECOMMENDATION: Informational item, no action.

**SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017**

AGENDA ITEM NO. 10

SUMMARY STATEMENT: Review the proposed language regarding (1) the wording of our current contract with the SD Community Foundation, (2) the financial reporting of the SD Community Foundation asset, and (3) the future contributions made to the SD Community Foundation. This proposal is made after consultation with SDHSAA Legal Counsel and the SD Community Foundation.

This is necessary to separate the SDHSAA and the SDHSAA Foundation. The staff recognizes the concerns regarding loss of “control” of the proceeds of Foundation earnings. However, the Foundation bylaws clearly stipulate how the SDHSAA Foundation board can distribute earnings and SDHSAA staff feel comfortable that those bylaws will be enforced by the SDHSAA Foundation Board. Benefits of separation include a) full transparency that only donations are placed into the SDHSAA Foundation, and b) a more accurate representation of SDHSAA financial holdings.

STAFF RECOMMENDATION: Provide recommendation to the SDHSAA Board to accept the following language:

- All future donations to the SDHSAA Foundation shall be made to the South Dakota Community Fund, with the SDHSAA Community Foundation Board, Inc. to direct distributions of earnings in accordance with SDHSAA Community Foundation by-laws and in consultation with SDHSAA Staff and the SDHSAA Board of Directors
- The SHDSAA Community Foundation Board, Inc. shall use its own Tax ID to open its own bank account for the sole purpose of depositing earnings distributions and distributing earnings as delegated by the SDHSAA Community Foundation Board, Inc. in accordance with SDHSAA Community Foundation Board and in consultation with SDHSAA Staff and the SDHSAA Board of Directors
- Approve the use of the donor form hosted on the SDHSAA website as well as instructions for how donations are to be handled.

Motion to _____ by: _____ , Second by: _____

Voting record:

Postma: _____
 Klatt: _____
 Naugle: _____
 Kafka: _____
 Mayer: _____

Morford: _____
 Danielsen: _____
 Wilson: _____
 Shaw: _____

Vote Tally- Yea: _____ Nay: _____ Motion Passes/Fails

Proposal to SDHSAA Board of Directors Concerning SDCF

4/5/2017

Working Copy

Please see the following proposal on (1) the wording of our current contract with the South Dakota Community Foundation (aka paragraph three), (2) the financial reporting of the South Dakota Community Foundation asset, and (3) the future contributions made to the South Dakota Community Foundation.

(1) The current wording in our 2013 contract with the South Dakota Community Foundation reads "Distributable income from the South Dakota High School Activities Association Fund shall be used to support charitable and nonprofit causes as recommended by its board of directors..." We propose to change this wording to read "Distributable income from the South Dakota High School Activities Association Fund shall be used to support charitable and nonprofit causes as recommended by South Dakota High School Activities Association Foundation, Inc., Board of Directors..." This will allow the SDHSAA Foundation Board, Inc., to control how the future Foundation Fund earnings are spent. We also propose the SDHSAA Board of Directors make a motion to take the existing money in the Foundation and put it into a new fund under the SDHSAA name (Organizations can have multiple funds under the same name) which would allow the SDHSAA Foundation Board, Inc. to control how the current and future earnings are spent. The benefits in moving the funds under the operation of the Foundation Board are two-fold. (2.1) When the existing money is put into a new fund under the SDHSAA name which the SDHSAA Foundation, Inc., Board of Directors' controls, these funds need no longer be reported on our financial statements as a \$310,000 asset which we do not have access to. Reporting this asset on our balance sheet inflates our net position, making it seem like we have more assets than we really do. (2.2) Additionally, all future contributions would be made towards this new fund and would not need to be reported. Instead, our beneficial interest in the Fund (4.5%) would be reported as a note disclosure at the end of our financial statements. (3) If so moved, all handling of any SDCF contributions and distributions would be handled by the South Dakota Community Foundation and the SDHSAA Foundation, Inc., Board. The SDCF would take over issuing tax receipts and tracking all contributions.

SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017

AGENDA ITEM NO. 11

SUMMARY STATEMENT: The Finance Committee should consider recommendations to the SDHSAA board concerning the FY18 budget, corporate sponsors, the SDHSAA Foundation, and/or any other items deemed appropriate by the committee

STAFF RECOMMENDATION: Provide clear, concise financial recommendations to the SDHSAA Board of Directors.

Recommendations:

- 1.
- 2.
- 3.

Motion to _____ by: _____, Second by: _____

Voting record:

Postma: _____	Morford: _____
Klatt: _____	Danielsen: _____
Naugle: _____	Wilson: _____
Kafka: _____	Shaw: _____
Mayer: _____	

Vote Tally- Yea: _____ Nay: _____ Motion Passes/Fails

SDHSAA FINANCE COMMITTEE MEETING
Pierre, South Dakota
AUGUST 03, 2017

AGENDA ITEM NO. 12

SUMMARY STATEMENT: Adjourn (Time: _____AM/PM)

STAFF RECOMMENDATION: Approve

Motion to _____ by: _____, Second by: _____

Voting record:

Postma: _____
Klatt: _____
Naugle: _____
Kafka: _____
Mayer: _____

Morford: _____
Danielsen: _____
Wilson: _____
Shaw: _____

Vote Tally- Yea: _____ Nay: _____ Motion Passes/Fails