

TO: House of Delegates
FROM: Dawson Hughes, CEO
DATE: September 1, 2023
SUBJECT: 2024 business plan assumptions

To set the stage for 2024 business plan assumptions, it's important to understand current year projections. The information below is based on 2023 second-quarter reporting, which is the basis of the assumptions included in the draft 2024 business plan assumptions. Due to USMS's registration timing, second-quarter forecasts are generally a good gauge of the current year's results.

2023 second-quarter reporting forecasts a net operating loss (before depreciation) of \$284,456, which is \$5,545 better than the net operating loss budget of \$290,001. (All numbers include depreciation.) Please see the chart below for the changes that resulted in the current forecast.

2023 Board-Approved Budget & Q2 Forecast - Summary				
U.S. Masters Swimming	Budget	Q1 Forecast	Q2 Forecast	vs Q2 Forecast
Board-Approved Budget 2023 - Summary	2023	2023	2023	favor(unfavor)
Ordinary Income/Expense				
Income				
MEMBERSHIP SERVICES REVENUE	3,098,413	3,049,696	2,996,348	(102,065)
PROGRAM SERVICES REVENUE	242,434	228,784	228,784	(13,650)
EVENTS REVENUE	309,550	346,750	346,750	37,200
ADVERTISING & PARTNERSHIP REV	348,100	365,600	351,600	3,500
COLLEGE CLUB SERVICES REVENUE	73,161	98,200	95,450	22,289
CONTRIBUTION REVENUE	18,000	18,000	18,000	-
TRANSFER/GRANT REVENUE	144,500	144,500	144,500	-
Total Income	4,234,158	4,251,530	4,181,432	(52,726)
Expense				
COMPENSATION	2,077,272	1,994,773	1,994,773	82,499
INSURANCE	422,208	422,208	427,258	(5,050)
MEMBERSHIP SERVICES EXP	840,039	874,850	922,123	(82,084)
PROGRAM SERVICES	137,000	138,450	118,950	18,050
EVENTS EXPENSE	243,930	245,480	220,679	23,251
MARKETING/SPONSORSHIP	236,870	235,770	200,680	36,190
COLLEGE CLUB SERVICES	63,545	58,090	61,690	1,855
ADMINISTRATION VOLUNTEER EXPENSE	345,759	344,796	344,796	963
ADMINISTRATION NATIONAL EXPENSE	157,535	157,435	174,938	(17,403)
Total Expense	4,524,158	4,471,852	4,465,888	58,270
Net Operating Income/(Loss) before depreciation	(290,001)	(220,322)	(284,456)	5,545
DEPRECIATION	208,933	225,401	224,392	(15,459)
Net Operating Income/(Loss) after depreciation/other	(498,933)	(445,723)	(508,848)	(9,914)
Net Other Income	(25,900)	37,500	183,236	209,136
Net Income/(Loss)	\$ (524,833)	\$ (408,223)	\$ (325,612)	\$ 199,222

2024 BUSINESS PLAN ASSUMPTION OVERVIEW

The Board of Directors and the Finance Committee have reviewed and provided input on the following assumptions that will be used to prepare the 2024 USMS budget in the coming months.

It's important to remember that this memo doesn't outline the 2024 final budget. There will be numerous adjustments to projections and assumptions as more data is known. However, this provides a guide for where we're headed, the initiatives being considered, and the balance of strategy, fiscal responsibility and oversight, resource allocation, and desires of various stakeholders.

USMS will end 2023 with approximately 57,000 members, an increase of approximately 1.5%. Although we forecasted for membership of 59,000, returning to 60,000 members by 2025 remains a target to return to breakeven or profitable budgets. The 2024 assumptions were developed based on current strategic initiatives (e.g., club and event development) and include investments in the independent swimmer strategy, along with continued enhancement of current initiatives and programs.

The assumptions included in the draft business plan support typical committee activities with cost-conscious recommendations and adaptations to minimize the amount of deficit spending.

These assumptions also include the financial implications of the board-established plans for a virtual annual meeting and no membership fee increase in 2024 (although, as outlined last year, another \$5 increase is contemplated in 2025—see [2023-25 national meetings](#) and [2023 membership fees](#)).

While reviewing these assumptions, keep in mind that USMS reserve levels remain healthy at \$3.6M (as of July 31). Reserves have yet to be used to fund operating deficits or capital projects.

The current assumptions in this plan result in an estimated net operating budget deficit of \$127k before depreciation. The board has provided guidance to the CEO and Finance Committee approving a 2024 budget recommendation with a deficit of net income before depreciation of up to \$150k.

Draft Assumptions Summary	2022 Actual	2023 Budget	2023 Q2 Forecast	2024	2025	2026
Revenues	\$ 3,592,703	\$ 4,234,158	\$ 4,181,432	\$ 4,442,955	\$ 4,869,074	\$ 5,007,254
Expenses	\$ 4,045,973	\$ 4,524,158	\$ 4,465,888	\$ 4,569,959	\$ 4,732,623	\$ 4,778,577
Net Operating Income (Loss) before depreciation	\$ (453,270)	\$ (290,000)	\$ (284,456)	\$ (127,004)	\$ 136,450	\$ 228,677
Depreciation	\$ 234,373	\$ 208,933	\$ 224,392	\$ 192,231	\$ 161,294	\$ 104,770
Net Operating Income / (Loss) after depreciation	\$ (687,643)	\$ (498,933)	\$ (508,848)	\$ (319,235)	\$ (24,844)	\$ 123,907

No HOD Action Items for 2024 Budget

See [Board recommendation on 2023-25](#) membership fees for additional background:

SUMMARY OF PROPOSED 2024 FEES					
MEMBERSHIP FEES		USMS	LMSC	Total	Change
Membership	Nov 1, 2023 - Oct 31, 2024	\$56	\$14	\$70	No Change
Membership: Year Plus	July 1, 2024 - Oct 31, 2024	\$92	\$23	\$115	No Change
Membership: Clubs and Workout Groups	Oct 1, 2023 - Oct 31, 2024	\$56	\$14	\$70	No Change
CCS Bridge Membership		\$25	\$0	\$25	No Change
One Event Membership		\$16	\$4	\$20	No Change
EVENT/SANCTION CHARGES					
Pool Meet	Sanctioned	\$50			No Change
Pool Meet	Recognized	\$100			No Change
Open Water Swim (min charge = \$200 and max charge= \$1,000)	Sanctioned	\$100 plus \$5 per participant			No Change
Open Water Swim	Sanctioned national championship	\$5 per, +\$3 surcharge			No Change

2024 BUDGET ASSUMPTIONS

Compensation

The Compensation and Benefits Chair provided preliminary input for compensation planning based on a continued tight and competitive labor market and lingering inflationary factors. Initial market survey data reflects U.S. employers increasing payroll budgets on average 4-5%. In addition, the committee will be analyzing data on USMS benchmark positions as compared to the peers of other NGBs in the coming weeks. Recommendations for payroll will be a similar merit budget for 2024 and a budgeted amount for market adjustments as needed to ensure our pay practices remain competitive. The committee will provide full recommendations in November.

One additional full-time equivalent staff member was contemplated in the 2023 budget but was not filled. It was determined based on budgetary factors and potential use of volunteer resources that the position is not currently needed. The additional position is not included in the 2024 budget. The purpose of this role was to better support the implementation of local strategy by serving as a resource (e.g., training, best practices, communication, etc.) for LMSC volunteers. The hope is that current committee tasks for local support (e.g., LMSC Development and Coaches) can support the communication and education needs at the local level.

2024 staff is forecast to be 15.25 full-time equivalents.

Insurance Costs

The general and umbrella liability premiums are variable based on the number of members, events, and general insurance market. Applications for the premium year beginning Oct. 1 are in process, and actual costs will be available for the detailed draft budget. Increases are included in the plan with a range of 4-5%.

Membership Revenue

Assume 58,500 members:

- 52,250 full-year members: \$70
- 6,000 year-plus (July 1-Oct 31, 2024): \$115
- USMS+ add-on package option:
 - » Registration: \$239
 - » [For more information on USMS+ click here](#)
 - » Further USMS+ refinements are under consideration including added-value benefits at 2024 US Olympic Team Trials - Swimming.
- 250 College Club Swimming (CCS) bridge members: \$25

Independent Swimmer (NEW)

Strategic Priority: Continue to provide services to support swimmers and small groups that may not have access to a USMS club, coach, or event.

Leverage and package existing USMS capabilities and resources to enhance independent USMS members' daily training experience and connection with the wider USMS community.

- Encourage practices, open water group swims, and social events for independent swimmers to create an affinity for USMS and potential bridge to club formation.
- Encourage and facilitate participation in USMS programs and events where possible.
- Consider future development of services specifically for independent swimmers as club, event, and community priorities above are accomplished.

Scoping is underway for this project with an optimistic goal for a summer 2024 launch to align timing with the Olympics. We are currently contemplating about \$25k in development costs (that may ultimately be part of the capital budget) and another \$25k in launch and ongoing marketing.

Grown-Up
Swimming
(POTENTIAL NEW)

During the first half of 2023, management has been in discussions with [Grown-Up Swimming](#) about the potential of acquiring the brand and operations to grow their adult summer league swimming event programming. The Board approved a Letter of Intent to enter formal negotiations and additional due diligence is ongoing. The final business plan may include this new programming to expand USMS's reach in meeting our mission.

NOTE 1: Budget Assumptions outlined in the memo do not include possible Grown-Up Swimming revenues or expenses. The current proforma business projection for the separate entity would include an estimated investment of approximately \$175k over the next two years (5% of USMS reserves), and then become profitable to allow USMS to recoup the initial investment and continue to operate profitably, while also creating a new type of event appealing to a different type of adult swimmer as well as current USMS members, many of whom don't participate in USMS events currently.

NOTE 2: Budget Assumptions outlined in the memo do not include possible Grown-Up Swimming revenues or expenses as components of the negotiations remain confidential by contract.

**Digital
Capabilities**

In April, USMS launched its new customer relationship management system (Salesforce), which now serves as the database of record for almost all membership and club information and financial transactions. There are several more strategic projects requiring additional work in 2024 (e.g., improved sanction approval process and events calendar, independent swimmer strategic priority, and improved CCS data integration). The USMS event results database and flexible user reporting

is a longer-range project that will have continued discovery and scoping in 2024 but no significant development work is expected until 2025.

Communications/ Publications

An improved digital edition of *SWIMMER* magazine should be launched by October. We don't expect much greater adoption of the digital-only edition for 2024 but will begin to push more adoption throughout the year to further reduce production and mailing costs of the print edition in 2025.

We will soft-launch our first comprehensive swimming guide by October and then plan to release two a year for the next few years. These guides will contain in-depth information on a specific stroke or subject matter in both a written and video form.

Program Services

Club Development Strategy: Continue efforts to support more clubs directly in partnership with LMSCs.

- The Club Development Matching Grant Program will continue. Contemplating lower budgeted funding based on 2023 needs being lower than expected.
- Need to continue to ramp up local knowledge and identification of coaches and facilities.
- Continue to develop strong partnership between national office and LMSCs to provide support necessary for success.
- Support existing clubs and identify those with untapped potential growth and provide support.
- Identify facilities for new USMS clubs and provide start-up support.
- Identify coaches with interest and potential to connect with new opportunities.

Education

The coach and instructor training program's goal is to be able to continue delivering high-quality training that helps USMS recruit interested coaches with potential to lead and grow USMS clubs that can be viable for the long term. While it has proven to be a consistent pipeline of future coaches, there remains demand for courses. Level 1 is turnkey and has little expense involved. Level 2 and 3 and the Clinic Course for Coaches have value as part of a well-organized club growth strategy to introduce swimmers to a club and coach and provide additional interaction between coaches and USMS. Another goal of this program to be revenue neutral or positive, including staff and contractor resources. Moving Level 1 online has made this goal realistic.

- Level 1 Coach Certification will continue to be presented online.
- Level 2-3 Coach Certifications, Clinic Course for Coaches, and ALTS Instructor Certification:
 - » In-person instruction with regional resources in conjunction with club development strategy
 - » Additional certification classes are available when requested and supported by LMSCs.

National Coaches Clinic	Planned as a separate track during the same weekend as Relay 2024.
Events	<p>Spring Nationals will be held in June (later than the traditional time frame) to coincide with U.S. Olympic Team Trials - Swimming.</p> <ul style="list-style-type: none"> • Pool national championships: 2 • Open water national championships: up to 6 • College Club Swimming: 4 regional and 1 national championship • Long distance virtual championships • Fitness Series will be reduced to 1 event (down from 3 in recent years). The 30-minute fitness challenge will continue but the timing of the event will likely move to the summer. • Additional free virtual challenges using Swim.com contemplated.
Events Expenses	<ul style="list-style-type: none"> • Event development strategy will continue with a goal of minimizing or eliminating financial risk for potential event directors/hosts to help create new events and encourage previous events to return. This will include an Event Development Matching Grant Program in partnership with LMSCs, event-specific marketing support, meet and open water management, and budget consulting. <ul style="list-style-type: none"> » Budgeted funding will likely be reduced in 2024 based on interest and need from 2023. This is also a great model for LMSCs to support their events and potential new events with a goal of hosting an event in each course in every LMSC (wherever possible). • Pool national championships planned with support-related expenses. • Championship, Long Distance, and Officials Committee travel for liaison function.
Advertising/ Partnerships	<p>Assume revenues increase 3% over 2023 forecast.</p> <ul style="list-style-type: none"> • 14 partnerships including joint partnerships with USA Swimming. • Similar advertising, royalty, and in-kind revenue as previous years.
Marketing	<p>Include a broad range of member/program/event support:</p> <ul style="list-style-type: none"> • Digital advertising support for: <ul style="list-style-type: none"> » New club development strategy. » Enhance event-specific marketing. » Enhance online content and marketing with more video production. » Try Masters Swimming (two campaigns). » Ongoing membership and potential member engagement by using social media and digital channels. • New member and USMS+ welcome kits.
College Club	

Assume a roughly break-even scenario based on number of club registrations and related activities. Continuing discussions with CCS Advisory Board on future vision and model for CCS, including a transition to registration on USMS internal systems. The over 8,000 2022-23 CCS members combined with ~57,000 2023 USMS members brings our overall organization within range of our historic high-water mark for membership.

- Registered clubs ~185 clubs
- Registered swimmers ~8,500
- Targeting 2024 to bring CCS registration info into the national registration system through data integration with the current registration partner.
- The CCS activities will include the leadership summit, event support, and virtual attendance at the annual meeting.

Admin-Volunteers

The 2024 annual meeting will be held virtually. [See 2023-25 National Meeting Plan Recommendation](#).

Relay 2024 will be held in Houston on October 18-20, 2024, alongside the National Coaches Clinic.

Admin-National

- Office Lease: Staff were able to successfully negotiate out of our National Office lease, saving nearly \$45,000 annually. Since the pandemic, staff have primarily worked remotely, and the office space became increasingly underutilized. We have partnered with the Sarasota Sharks to have space for staff that prefer to work in an office setting. Numerous free options are available for meeting space in Sarasota when needed.
- Staff travel will continue to be strategically planned and carefully considered.

Depreciation

- Salesforce was the largest capital expense of the digital transformation project. With its implementation in 2023, the current fiscal year will be the peak of depreciation expenses related to the digital transformation project.
- Depreciation is forecast at - \$245k for 2023 and -\$192k for 2024. This is a non-cash expense.

Capital

The current projections for capital expenditures on strategic technology infrastructure will decrease in coming years. As mentioned above there are several projects in development that weren't part of the original digital transformation project that may be classified as capital expenses. While capital expenditure on technology will decrease, the overall spend (including capital and operational support) is likely to remain near recent levels as technology costs have continued to increase.

The 2024 capital budget is still in very early development but is likely to be in the \$100-\$150k range. This does not include a potential investment in Grown-Up Swimming which will be tracked separately from traditional technology capital expense and the USMS operational budget.

The final capital request will be submitted to the Finance Committee and the Board of Directors for review as part of the budget process. Capital expenditures are a cash expense in a given year but are amortized over five years from the date of implementation (i.e., depreciation).