**USMS CONVENTION – Greensboro, NC - 2005**

Committee Name: **Finance** Session # (if more than one meeting): **1** Cmte. report #: __13_

Minutes recorded by: Jeanne Ensign Date/time of this meeting: **Thursday, September 15, 2005, 2:45 pm**

ACTION ITEMS – PROPOSED EXPENDITURES

ACTION ITEMS – OTHER

1. MSA minutes of last year's meeting.

2. MSA to endorse increasing the loan to FINA World Masters LSC to $300,000 immediately and that the meet organizer be authorized to draw in addition to the current authorization approximately $25,000 in calendar year 2005, and up to the balance of the $300,000 in calendar 2006 as needed, and for USMS to seek meet interruption insurance coverage of our loan of that amount.

3. MSA to accept the website development policy presented as a new section of FOG.

Committee Chair: **Tom Boak** Vice Chair(s): **Ralph Davis**

Number of committee members present: 12 Absent: 5 Number of other delegates at this meeting: 6

Committee members present: Tom Boak, Betsy Durrant, Joan Campbell, Kris Wingenroth, Barbara Thomas, Sarah Welch, Lucy Johnson, Trisha Commons, Jeff Moxie, Doug Church (ex-officio), Margaret Bayless (ex-officio), Jeanne Ensign (ex-officio)

MINUTES

The meeting was called to order at 3:45 PM

1. Welcome and call to order.

2. MSA minutes of last year's meeting

3. Treasurer's Report – Doug Church: We have money in the bank, all the bills are paid, and the reserves have continued to increase. Doug asked Smith Barney to review FOG investment policy which he just received; he recommended that report be passed on to next Finance Committee Chair to review with possible recommendations at next year's convention.

Doug thanked the committee for help and service he received from the committee and noted the amount of institutional memory in this committee. In response, Tom thanked Doug for his assistance to the committee.

4. Controller's Report and Auditor's Report – Margaret Bayless: Margaret reported on the 2004 audit report from Clifton Gunderson and noted that the auditors required us to capitalize some website development costs for 2004. We will be reviewing those costs for 2005 (see discussion on policy elsewhere). 2004 revenues were in excess of expenses by $97,191. Net equity at December 31st was $1,108,126.

The auditor's management letter noted again their concern about our cash management process at the national office. They recommend that we have two employees to handle cash or engage a lockbox system. The committee feels that we have enough checks and balances in place to cover any possible misappropriation at the national office, with various reconciliations taking place between national administration, national registrar, and controller. Copies of the audit report are available from Margaret upon request.

Margaret reported that for the first eight months of 2005 net income is $359,000. Total reserves at August 31, 2005 are $1,467,000. This includes about 95% of income and about 60% of expenses.

For USMS SWIMMER, we should end 2005 about $70,000 favorable to the 2005 budget that we set last year. The magazine still does not make money, but the loss is less.

We implemented a merchant account at the national office and it was used for SC and LC Nationals. There are upcoming plans to use it for national registration and other events. Margaret feels USMS needs guidance in the process of implementation, which was echoed by members of the committee.

6. Old Business: Tom reported on the meeting earlier in the day about financing for FINA worlds with Barbara Thomas, Anne Cribbs, Jeff Moxie, Margaret Bayless, Michael Moore and Doug Church about cash flow demand and funding requirements prior to their starting to receive event funds.

MSA to endorse increasing the loan to FINA World Masters LSC to $300,000 immediately and that the meet organizer be authorized to draw in addition to the current authorization approximately $25,000 in calendar year 2005, and up to the balance of the $300,000 in calendar 2006 as needed, and for USMS to seek meet interruption insurance coverage of our loan of that amount. The actual decision will be made by the Executive Committee, and Doug will be responsible for amending the loan agreement.

MSA to accept the website development policy presented as a new section of FOG. (See below). The consensus of the committee was to set a threshold of $50,000 for capitalization which is a product of 5% of gross revenue. The committee expects that the webmaster and other employee/contractors will keep track of their time by project on an ongoing basis. This is necessary to support this policy. Tom Boak will communicate this to the webmaster.

A brief discussion followed regarding the Executive Director position which will be continued in Session #2.

Meeting adjourned at 4:30 pm.

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## 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.