

**POTOMAC VALLEY SWIMMING**  
**2013 House of Delegates**  
**TREASURER'S REPORT**

I would like to thank Potomac Valley Swimming for allowing me to serve as Treasurer on the Board of Directors. It has been an honor to serve under Riley's leadership and alongside the rest of the board.

PVS is an outstanding organization that provides the foundation for over eleven thousand kids to participate in the great sport of swimming. Our coaches, staff, and volunteers should be proud of the accomplishments of our organization over the past year, especially under some challenging times.

I have especially enjoyed working with John Ertter as our Controller. John not only has a vast amount of historical knowledge about our organizations finances, but also a great sense of pride and dedication to preserving the many good things that we do to make PVS an outstanding LSC.

I am proud to submit the Treasurer's Report to the House of Delegates. I welcome any comments or questions that may arise.

### **Audit Committee**

The Audit Committee, under the leadership of Bill Stephens, provided their annual firm selection and review of the Audit. The committee recommends the use a "Review" instead of an "Audit". Both are allowed according to our Bylaws. We are currently evaluating this recommendation.

### **Investment Committee**

The Investment Committee, under the leadership of Ed Dona is recommending a change to the P&P to allow us to invest up to 35% of our funds in mutual funds. The current guidance is 25%. The recommended change is because CD rates are very low. Rationale for the change is attached to this report. The committee is also taking a look at how we manage our cash on a monthly basis and is providing a recommendation to the Treasurer on rebalancing our assets.

## **Budget Notes**

### **2013-14 Budget**

The 2013-14 Budget, as approved by the Board of Directors, is on the agenda for HOD approval. Notes have been provided by Controller, John Ertter.

### **PVS Reserve**

The reserve continues to be in line with the guidelines in the P&P. It is at the lower end of the range but continues to increase slightly every year.

Respectfully Submitted,

Bob Vincent

# PVS Investment Policy

Proposed Change to  
Fund Allocation Guidelines

# Current PVS Investment Policy

- **Fund Allocation Guidelines**
- General Operating Funds or Checking Accounts (GOA): 10 days operating expenses plus \$10,000.
- Restricted Operating Funds or Money Market Deposit Accounts (ROA): Sufficient assets to meet the business cycle liquidity needs of PVS. It is periodically reviewed and determined by the Board of Directors.
- **Mutual Funds: May invest up to 25% of funds provided the needs of the GOA and ROA are fully satisfied.**
- Certificates of Deposit (CDs): All funds not invested elsewhere shall be invested in CD\_s of varying maturities. No single CD upon issuance may exceed \$100,000 or five years in length.

# Current CD Rates

	Results Range	Bankrate.com	Bankrate.com
		National Average	Site Average
<a href="#">1 yr CD</a>	0.10% APY - 1.05% APY	0.25% APY	0.70% APY
<a href="#">2 yr CD</a>	0.15% APY - 1.20% APY	0.39% APY	0.83% APY
<a href="#">5 yr CD</a>	0.35% APY - 1.60% APY	0.79% APY	1.37% APY

**Because CD rates are so low, we propose increasing the allowable investment In Mutual Funds from 25% to 35%.**

# Invest Objectives (P&P)

- **Investment Objectives**

- *Liquidity*: Maintain sufficient liquidity to meet expected operating requirements and provide an appropriate reserve for unexpected needs.
- *Preservation of Capital and Purchasing Power*: Invest funds prudently so as to insure a high probability of preserving capital while **balancing** this objective with the need to protect against buying power erosion caused by inflation.
- *Asset Performance*: **Attain an annual return on assets that is at least equal to the general rate of inflation plus 1%.** For purposes of this test, inflation is measured by the growth in the CPI-W index as published by the US Department of Commerce.

# Return on Investments (Mutual Funds)

Time Period	Inflation Rate	Return on RBC Account
1 Year	2.1%	14.9%
3 Year	2.3%	8.19%
5 year	2.47%	3.60%
10 Year	2.06%	5.42%

# PVS Investment Policy – Proposed Change

- **Fund Allocation Guidelines**
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- **Mutual Funds: May invest up to 35% of funds provided the needs of the GOA and ROA are fully satisfied.**
- Certificates of Deposit (CDs): All funds not invested elsewhere shall be invested in CD\_s of varying maturities. No single CD upon issuance may exceed \$100,000 or five years in length.

# Option 2 – Current P&P Guidelines

Investments & Cash	2010		2011		2012		Rebalance (@ 35%)	
	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars
Fixed Income (MF)	6.15%	\$ 51,515.42	6.17%	\$ 51,342.42	6.88%	\$ 58,200.53	14.70%	124,350.53
Mixed Assets(MF)	4.03%	\$ 33,759.54	3.82%	\$ 31,816.22	4.51%	\$ 38,140.49	9.63%	81,490.49
Equities (MF)	3.77%	\$ 31,540.05	3.81%	\$ 31,701.36	4.21%	\$ 35,632.98	9.00%	76,132.98
GOA (Bank Account)	-0.21%	\$ (1,783.00)	2.04%	\$ 17,013.00	1.15%	\$ 9,755.00	1.15%	9,755.00
Special (Bank Account)	0.00%	\$ -	0.06%	\$ 523.00	0.04%	\$ 375.00	0.04%	375.00
ROA (Bank Account)	56.49%	\$ 472,934.00	68.10%	\$ 566,627.00	83.20%	\$ 703,763.00	47.73%	403,763.00
CDs (Tree)	29.76%	\$ 249,162.00	15.98%	\$ 132,988.00	0.00%	\$ -	17.73%	150,000.00
<b>Total</b>		<b>\$ 837,128.01</b>		<b>\$ 832,011.00</b>		<b>\$ 845,867.00</b>		<b>845,867.00</b>

## Re-Balancing Process

1. Increase (*over time*) current balance of Mutual Fund Investments to 35% of funds.
2. Purchase CDs @\$100,000/\$50,000 each month.
3. Work with RBC Wealth Management to insure correct balance of funds.

## Results

1. Available cash becomes \$553,763 (Cash + CDs).
2. RBC Investment Account increases by \$150,000 (All Mutual Funds).
3. Very little risk and better returns





### Treasurer's Internal Investment Policy Review

Investment Policy	Assessment	Comments
PVS maintains a system of internal controls sufficient to safeguard assets against fraud and malfeasance and to monitor compliance with this policy.	Meets Requirement	PVS follows approved guidelines for separation of transferring money and the ability to write checks.
<b>Types of Funds held by PVS</b>		
Funds in the GOA are checking account funds to cover cash needs for the next 10 days. The balance in this account does not exceed short-term cash needs plus a \$10,000 cash cushion.	Meets Requirement	PVS Controller has established procedures to identify the need for additional funds in the GOA account and the PVS Treasurer has the ability to audit each request.
No checks are written against the ROA account.	Meets Requirement	Checks can only be written on the GOA account.
The balances of the ROA and money market accounts are reviewed formally by the Board of Directors on a quarterly basis to insure (1) adequate liquidity to meet short term cash requirements and (2) insure that funds in excess of short term needs are invested in CDs or mutual funds.	Needs Improvement	Account balances are reviewed on a monthly basis by the Controller and Treasurer, but communication to the board as to any concerns about liquidity or that funds in excess are invested in CDs or mutual funds needs to be improved.
<b>Investment Objectives</b>		
PVS maintains sufficient liquidity to meet expected operating requirements and provide an appropriate reserve for unexpected needs.	Meets Requirement	In excess.
PVS invests funds prudently so as to insure a high probability of preserving capital while balancing this objective with the need to protect against buying power erosion caused by inflation.	Meets Requirement	The funds that are invested in mutual funds are managed very well by RBC (Investment firm). We do need to move money into the investment account.

Investment Policy	Assessment	Comments
<p>PVS attains an annual return on assets that is at least equal to the general rate of inflation plus 1%. For purposes of this test, inflation is measured by the growth in the CPI-W index as published by the US Department of Commerce.</p>	<p>Needs Improvement</p>	<p>Return on Invested Assets is very good (14.9%), but return on PVS Total Assets equates to about 2% which is below the rate of inflation. Making an adjustment to the allowable amount to be invested into mutual funds will help and yet still provide a very conservative approach to our investing. In the past we have been able to get some return on CDs. The rates are much too low today.</p>
<b>Investment Guidelines</b>		
<p>In the GOA allowable investments include U.S. federally insured bank and savings and loan institutions. While it is permissible to maintain an average balance in excess of the federally insured maximum of \$100,000 in a single institution, only funds needed to satisfy the immediate short-term 10-day cash requirements should be invested here.</p>	<p>Meets Requirement</p>	<p>The Controller and Treasurer have an approved method of internal controls.</p>
<p>In the ROA allowable investments include U.S. federally insured money market deposit accounts at federally insured bank and savings and loan institutions. While it is permissible to maintain an average daily balance in excess of the federally insured maximum of \$100,000 consideration should be given to spreading funds among several different institutions in order to minimize exposure to bank failure.</p>	<p>Needs Improvement</p>	<p>Rebalancing of assets is needed to protect the \$250,000 (Current Limit) Federally Insured maximum.</p>
<p>Certificates of Deposits (CDs) are allowable investments that include U.S. federally insured certificates of deposit at federally insured bank and savings and loan institutions. The maximum initial deposit in any single CD is \$100,000. While it is permissible to purchase multiple CDs at a single institution consideration should be given to spreading funds among several different institutions in order to minimize risk of bank failure. CDs should be purchased in varying lengths so as to stagger maturities and maturity dates. In no event may a CDs term be greater than five years.</p>	<p>Meets Requirement</p>	<p>CD rates are very low and we do not currently have any. The rebalancing will require some CDs at various institutions.</p>
<p>Mutual funds are allowable investments that include mutual funds that invest both in U.S. and international equities, bonds and money market investments. Funds invested in mutual funds should be viewed as long term investments (at least 5 – 10 years) intended to ensure real growth of capital to meet future needs.</p>	<p>Meets Requirement</p>	<p>Our Investment Account at RBC is being properly managed and is reviewed on a quarterly basis by the Controller and the Treasurer.</p>

Investment Policy	Assessment	Comments
Mutual fund investments should utilize an asset allocation model that results in exposure to a broad spectrum of the overall equity market sector and both U.S. Treasury and Corporate bond funds. No more than 30% of funds invested in mutual funds may be devoted to a single market sector. A practice of mirroring USA Swimming's investment portfolio allocation for similar investment objectives is an appropriate, but not required strategy.	Meets Requirement	Because of the mixing of various mutual funds we have a very broad range of asset allocation. This is reviewed by our investment advisor and the Controller and Treasurer.
<b>Fund Allocation Guidelines</b>		
General Operating Funds or Checking Accounts (GOA): 10 days operating expenses plus \$10,000.	Meets Requirement	Internal controls are followed and those procedures ensure that the account remains at the required balance.
Restricted Operating Funds or Money Market Deposit Accounts (ROA): Sufficient assets to meet the business cycle liquidity needs of PVS.	Meets Requirement	Our current reserves, which this account represents a majority of cash, are between the required 75% and 125% of operating budget.
The ROA account is periodically reviewed and determined by the Board of Directors.	Needs Improvement	This is reviewed by the Controller and Treasurer, but needs to be updated in reports to the board on a more frequent basis.
Mutual Funds: May invest up to 25% of funds provided the needs of the GOA and ROA are fully satisfied.	Meets Requirement	We are currently at 16% of funds.
Certificates of Deposit (CDs)" All funds not invested elsewhere shall be invested in CDs of varying maturities. No single CD upon issuance may exceed \$100,000 or five years in length.	Needs Improvement	Need to rebalance our assets.
<b>Prohibited Activities</b>		
Are there any outstanding loans to any individual member or PVS club?	Meets Requirement	No current loans outstanding
Have all bank accounts or invested funds been made with Board of Director s approval?	Meets Requirement	
Does any single individual have access to more than 20% of PVS funds?	Needs Improvement	Needs to be removed from P&P as this is not necessary with the internal controls that are in place today.
Are there any individual equity or bond securities?	Meets Requirement	No.