

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

House of Delegates
Potomac Valley Swimming, Inc.
McLean, Virginia

We have audited the accompanying statements of financial position of Potomac Valley Swimming, Inc. as of August 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Potomac Valley Swimming, Inc. as of August 31, 2006 and 2005, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



November 21, 2006

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents (Notes 1 and 2)	\$ 537,680	\$ 504,895
Investments (Notes 1 and 3)	79,444	72,407
Prepaid expenses and other	8,220	12,801
Equipment (Notes 1 and 5)	<u>26,691</u>	<u>20,650</u>
TOTAL ASSETS	<u><u>\$ 652,035</u></u>	<u><u>\$ 610,753</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued expenses and other liabilities	\$ 2,340	\$ 21,410
NET ASSETS, UNRESTRICTED (Note 1)	<u>649,695</u>	<u>589,343</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 652,035</u></u>	<u><u>\$ 610,753</u></u>

The accompanying notes are an integral part of these financial statements

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED AUGUST 31,	
	2006	2005
REVENUE:		
Membership registration	\$ 540,627	\$ 524,932
Meet fees	367,176	307,824
Investment income (Notes 1 and 3)	20,834	18,347
Contributions and other revenue	<u>6,148</u>	<u>214</u>
TOTAL REVENUES	<u>\$ 934,785</u>	<u>\$ 851,317</u>
EXPENSES:		
Programs	\$ 813,992	\$ 691,476
General and administrative	<u>60,441</u>	<u>58,674</u>
TOTAL EXPENSES	<u>\$ 874,433</u>	<u>\$ 750,150</u>
INCREASE IN UNRESTRICTED NET ASSETS	\$ 60,352	\$ 101,167
NET ASSETS, BEGINNING OF YEAR	<u>589,343</u>	<u>488,176</u>
NET ASSETS, END OF YEAR	<u><u>\$ 649,695</u></u>	<u><u>\$ 589,343</u></u>

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY SWIMMING, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED AUGUST 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	\$ 918,532	\$ 827,364
Cash paid to suppliers and USA Swimming	(877,469)	(738,028)
Interest and dividends received	17,402	9,686
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 58,465	\$ 99,022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (22,075)	\$ (17,493)
Purchases of investments	(3,605)	(1,965)
CASH USED IN INVESTING ACTIVITIES	\$ (25,680)	\$ (19,458)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 32,785	\$ 79,564
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	504,895	425,331
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 537,680</u>	<u>\$ 504,895</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 60,352	\$ 101,167
Reconciliation adjustments:		
Depreciation	15,767	10,310
Net realized and unrealized gains on investments	(3,432)	(8,661)
Loss on sale of equipment	267	-
Changes in assets and liabilities:		
Prepaid expenses and other	4,581	(5,606)
Accrued expenses and other liabilities	(19,070)	1,812
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 58,465</u>	<u>\$ 99,022</u>

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Note 1. Organization and Summary of Significant Accounting Policies

Organization - Potomac Valley Swimming, Inc. (PVS) is a not-for-profit corporation organized to provide education, instruction and training of individuals to develop and improve their capabilities in the sport of competitive swimming. PVS' geographic area of operation includes parts of Maryland, Virginia, and the District of Columbia.

Basis of Accounting - The financial statements of PVS have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred.

Financial Statement Presentation - In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, net assets are presented on the basis of unrestricted, temporarily restricted, or permanently restricted. Temporarily restricted net assets are those that are restricted by donors until the passage of time or the occurrence of certain events. Permanently restricted net assets are those that are restricted in perpetuity by donors. PVS had no temporarily or permanently restricted net assets as of August 31, 2006 and 2005.

Cash and cash equivalents - For purposes of the statement of cash flows, PVS considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments - Investments are stated at fair market value in the statements of financial position. Unrealized gains and losses are included in the statements of activities.

Equipment - Purchased equipment exceeding \$500 is capitalized at cost. Depreciation is computed using the straight line method over an estimated useful life of three years. When equipment is retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Maintenance and repairs are expensed in the period incurred.

Income taxes - PVS is exempt from income taxes under Section 501(a) of the Internal Revenue code as an organization described in Section 501(c)(3). PVS had no unrelated business taxable income for 2006 and 2005.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Actual results could differ from those estimates and these differences could have a material impact on the financial statements.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Note 1. Organization and Summary of Significant Accounting Policies - (Continued)

Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities.

Note 2. Concentration of Credit Risk - Financial instruments, which potentially subject PVS to concentrations of credit risk, include cash deposits with commercial banks and investment brokers. Cash in excess of \$100,000 per institution and money market accounts are generally not covered by the Federal Deposit Insurance Corporation. PVS minimizes the risk by maintaining deposits in high quality financial institutions.

Note 3. Investments - The following summarizes investments as of August 31:

	<u>2006</u>	
	<u>Market Value</u>	<u>Cost</u>
Mutual funds	<u>\$ 79,444</u>	<u>\$ 63,146</u>
	<u>2005</u>	
	<u>Market Value</u>	<u>Cost</u>
Mutual funds	<u>\$ 72,407</u>	<u>\$ 59,561</u>

Investment income consisted of the following for the years ended August 31:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 17,402	\$ 9,686
Net realized and unrealized gains	3,432	8,661
Totals	<u>\$ 20,834</u>	<u>\$ 18,347</u>

Note 4. Donated Services - PVS receives a significant amount of donated services from unpaid volunteers. These services are not included in the statements of activities because they do not meet the criteria for recognition under SFAS No. 116.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

Note 5. **Equipment** - Equipment consists of the following as of August 31:

	<u>2006</u>	<u>2005</u>
Equipment	\$ 94,461	\$ 100,284
Less, Accumulated depreciation	<u>67,770</u>	<u>79,634</u>
Equipment	<u>\$ 26,691</u>	<u>\$ 20,650</u>

Depreciation expense for the years ended August 31, 2006 and 2005 was \$15,767 and \$10,310, respectively.

Note 6. **Reclassifications** - Certain items in the 2005 audited financial statements have been reclassified to conform with the 2006 financial statement presentation.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

House of Delegates
Potomac Valley Swimming, Inc.
McLean, Virginia

Our report on our audits of the basic financial statements of Potomac Valley Swimming, Inc. for 2006 and 2005 appears on page 1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of revenue and expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 21, 2006

POTOMAC VALLEY SWIMMING, INC.
SCHEDULES OF REVENUE AND EXPENSES

	FOR THE YEARS ENDED AUGUST 31,	
	2006	2005
REVENUE:		
Membership registration	\$ 540,627	\$ 524,932
PVS meet fees	209,008	192,360
Zone team fees	93,985	60,875
Club meet fees	64,183	54,589
Investment income	20,834	18,347
Contributions and other revenue	6,148	214
Totals	<u>\$ 934,785</u>	<u>\$ 851,317</u>
PROGRAMS:		
Registrations	\$ 351,033	\$ 331,177
PVS meets	186,372	172,108
Zone teams and camps	149,382	94,393
Contract services	53,890	40,615
Other program support	47,656	23,859
Depreciation	15,767	10,310
Equipment parts and supplies	4,934	12,600
Registrar	2,937	4,439
Website and internet	2,021	1,975
Totals	<u>\$ 813,992</u>	<u>\$ 691,476</u>
GENERAL AND ADMINISTRATIVE:		
Professional and contract services	\$ 35,100	\$ 33,020
Committee	19,324	18,274
Office and other administrative	3,258	4,408
Telephone	1,334	1,145
Investment and banking fees	833	550
Printing and postage	592	566
Equipment rental	-	711
Totals	<u>\$ 60,441</u>	<u>\$ 58,674</u>