

**POTOMAC VALLEY SWIMMING, INC.**  
**AUGUST 31, 2004**

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# SARFINO AND RHOADES, LLP

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J Gregory Sarfino CPA  
Michael C Rhoades CPA  
David R Himes CPA  
Michael J Devlin CPA  
Brian W Dow CPA

11921 Rockville Pike, Suite 501  
North Bethesda, Maryland  
20852-2794

Certified Public Accountants  
and Business Advisors

301.770.5500 Voice  
301.881.7747 Fax  
cpas@sarfinoandrhowades.com  
www.sarfinoandrhowades.com

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our report on our audit of the basic financial statements of Potomac Valley Swimming, Inc. for 2004 appears on page 1. We conducted our audit 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 schedule of program revenues and expenses is presented for purposes of additional analysis and is 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.



December 3, 2004

**POTOMAC VALLEY SWIMMING, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2004**

**ASSETS:**

Cash (Notes 1 and 2)	\$ 239,992	
Investments (Notes 1 and 3)	247,120	
Prepaid expenses and other	7,195	
Equipment, net of accumulated depreciation of \$69,324 (Note 1)	<u>13,467</u>	
<b>TOTAL ASSETS</b>		<b><u>\$ 507,774</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accrued expenses and other liabilities	\$ 19,598	
<b>NET ASSETS, UNRESTRICTED</b>		<b><u>488,176</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 507,774</u></b>

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

**POTOMAC VALLEY SWIMMING, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

**REVENUES:**

Membership registration	\$ 471,846	
Meet fees	255,780	
Investment income (Notes 1 and 3)	12,556	
Contributions	<u>740</u>	
<b>TOTAL REVENUE</b>		<b>\$ 740,922</b>

**EXPENSES:**

Programs	\$ 591,589	
General and administrative	<u>67,798</u>	
<b>TOTAL EXPENSES</b>		<b><u>659,387</u></b>

**CHANGE IN UNRESTRICTED NET ASSETS** **\$ 81,535**

**NET ASSETS, BEGINNING OF YEAR** **403,634**

Prior period adjustment (Note 4) 3,007

**NET ASSETS, END OF YEAR** **\$ 488,176**

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

**POTOMAC VALLEY SWIMMING, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from members	\$ 721,171
Cash paid to suppliers and USA Swimming	(623,940)
Interest and dividends received	<u>6,609</u>

**NET CASH PROVIDED BY OPERATING  
ACTIVITIES**

\$ 103,840

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Payments for purchases of property and equipment	\$ (5,199)
Purchases of investments	<u>(3,849)</u>

**CASH USED IN INVESTING ACTIVITIES**

(9,048)

**NET INCREASE IN CASH**

\$ 94,792

**CASH, BEGINNING OF YEAR**

145,200

**CASH, END OF YEAR**

\$ 239,992

**RECONCILIATION OF CHANGE IN NET ASSETS  
TO NET CASH PROVIDED BY OPERATING  
ACTIVITIES:**

Change in net assets	\$ 81,535
Reconciliation adjustments:	
Depreciation	12,842
Net realized and unrealized gains on investments	(5,947)
Changes in assets and liabilities:	
Other receivables	(7,195)
Prepaid expenses	5,857
Accrued expenses and other liabilities	<u>16,748</u>

**NET CASH PROVIDED BY OPERATING  
ACTIVITIES**

\$ 103,840

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

**POTOMAC VALLEY SWIMMING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2004**

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. The Organization's geographic area of operation includes parts of Maryland, Virginia, and the District of Columbia.

**Basis of Presentation** - 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, 2004.

**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. Money market accounts held by investment companies are considered to be investments.

**Investments** - Investments are stated at fair market value. Investment income consists of interest and dividends received and realized and unrealized gains and losses.

**Equipment** - Purchased equipment is carried at cost. Depreciation is computed using the straight line method over estimated useful lives 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 2004.

**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.

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

**POTOMAC VALLEY SWIMMING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2004**

Note 2. **Concentration of Credit Risk** - Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash deposits with commercial banks and investment brokers. Cash in excess of \$100,000 per institution is 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, 2004:

	<u>Market Value</u>	<u>Cost</u>
Certificates of deposit	\$ 180,873	\$ 180,873
Mutual funds	61,664	57,478
Money market funds	<u>4,583</u>	<u>4,583</u>
Total	<u>\$ 247,120</u>	<u>\$ 242,934</u>

Investment income consisted of the following for the year ended August 31, 2004:

Interest and dividends	\$ 6,609
Net realized and unrealized gains	<u>5,947</u>
Total	<u>\$ 12,556</u>

Note 4. **Prior Period Adjustment** - In order to present the financial statements on an accrual basis of accounting, a prior period adjustment of \$3,007 was recorded. The prior period adjustment increased current year expenses by \$3,007.



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Potomac Valley Swimming, Inc. as of August 31, 2004, and the related statement of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides 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, 2004, and the results of its activities and its cash flows for the year ended in conformity with U.S. generally accepted accounting principles.

*Sarfino and Rhoades, LLP*

December 3, 2004

**POTOMAC VALLEY SWIMMING, INC.**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**AUGUST 31, 2004**

**REVENUES:**

Membership registration	\$ 471,846
PVS meet fees	180,249
Club meet fees	59,279
Zone team fees	16,252
Investment income	12,556
Contributions	740
Total	<u>\$ 740,922</u>

**PROGRAMS:**

Registrations	\$ 298,810
PVS meets	172,022
Zone teams and camps	37,408
Other program support	34,702
Contract services	26,400
Depreciation	12,842
Equipment parts and supplies	4,925
Registrar	3,270
Website and internet	1,210
Total	<u>\$ 591,589</u>

**GENERAL AND ADMINISTRATIVE:**

Professional and contract services	\$ 35,718
Committee	21,938
Office and other administrative	4,728
Equipment rental	2,946
Telephone	952
Investment and banking fees	720
Printing and postage	596
Donations	200
Total	<u>\$ 67,798</u>