

POTOMAC VALLEY SWIMMING, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2019



Certified Public Accountants

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Certified Public Accountants

Independent Accountant's Review Report

To the Board of Directors
Potomac Valley Swimming, Inc.

We have reviewed the accompanying financial statements of the **Potomac Valley Swimming, Inc.** (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
January 22, 2020

Potomac Valley Swimming, Inc.

Statement of Financial Position August 31, 2019

Assets

Current assets

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 619,858 |
| Accounts receivable | 33,498 |
| Investments | 259,735 |
| Prepaid expenses | <u>4,992</u> |
| | 918,083 |

Property and equipment, net

| | |
|--------------|-------------------|
| Total assets | <u>4,017</u> |
| | <u>\$ 922,100</u> |

Liabilities and net assets

Current liabilities

| | |
|---------------------------------------|-----------|
| Accounts payable and accrued expenses | \$ 14,977 |
|---------------------------------------|-----------|

Net assets

| | |
|----------------------------------|-------------------|
| Without donor restrictions | <u>907,123</u> |
| Total liabilities and net assets | <u>\$ 922,100</u> |

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statement of Activities for the year ended August 31, 2019

| | Without donor restrictions and total |
|-------------------------------------------|--------------------------------------------|
| Revenue | |
| Membership registration | \$ 1,115,468 |
| Less, amounts transferred to USA Swimming | <u>795,180</u> |
| Net membership revenue | 320,288 |
| | |
| Meet fees | 704,305 |
| Camp fees | 31,039 |
| Advertising income | 1,500 |
| Miscellaneous income | 8,488 |
| Investment income, net | 4,490 |
| Royalties | <u>300</u> |
| Total revenue | <u>1,070,410</u> |
| | |
| Expenses | |
| Program services | |
| Meets and programs | 781,562 |
| Officials | 53,674 |
| Membership registration | <u>39,025</u> |
| | 874,261 |
| Operations | <u>121,511</u> |
| Total expenses | <u>995,772</u> |
| | |
| Change in net assets | 74,638 |
| Net assets, beginning of year | <u>832,485</u> |
| Net assets, end of year | <u>\$ 907,123</u> |

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statement of Functional Expenses for the year ended August 31, 2019

| | Meets and programs | Officials | Membership registration | Total programs | Operations | Total |
|----------------------------------|-----------------------|------------------|----------------------------|-------------------|-------------------|-------------------|
| Activities and hospitality | \$ 48,257 | \$ - | \$ - | \$ 48,257 | \$ - | \$ 48,257 |
| Advertising | - | - | - | - | 425 | 425 |
| Apparel and supplies | 21,732 | 4,493 | - | 26,225 | - | 26,225 |
| Background checks | - | 3,838 | - | 3,838 | - | 3,838 |
| Bank charges | 3,592 | - | - | 3,592 | 1,845 | 5,437 |
| Clinics | - | 1,886 | - | 1,886 | - | 1,886 |
| Computer expenses | - | - | - | - | 7,201 | 7,201 |
| Depreciation | 4,042 | - | - | 4,042 | - | 4,042 |
| Diversity and inclusion camp | 35,631 | - | - | 35,631 | - | 35,631 |
| Equipment rental and repairs | 17,885 | - | - | 17,885 | - | 17,885 |
| Meet management fees | 102,260 | - | - | 102,260 | - | 102,260 |
| Meetings and conferences | 34,433 | - | - | 34,433 | - | 34,433 |
| Office expenses | - | - | 236 | 236 | 2,032 | 2,268 |
| Payroll taxes | - | - | 2,949 | 2,949 | 3,772 | 6,721 |
| Pool and other rentals | 429,046 | - | - | 429,046 | - | 429,046 |
| Professional fees | 26,008 | 3,955 | - | 29,963 | 54,216 | 84,179 |
| Salaries | - | - | 35,840 | 35,840 | 52,020 | 87,860 |
| Travel | 58,676 | 39,502 | - | 98,178 | - | 98,178 |
| Total functional expenses | \$ 781,562 | \$ 53,674 | \$ 39,025 | \$ 874,261 | \$ 121,511 | \$ 995,772 |

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statement of Cash Flows for the year ended August 31, 2019

Cash flows from operating activities

| | |
|----------------------------------------------------------------------------------------|-----------------|
| Change in net assets | \$ 74,638 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | |
| Depreciation | 4,042 |
| Realized and unrealized gain on investments | 2,425 |
| Increase in operating assets | |
| Accounts receivable | (6,980) |
| Prepaid expense | (1,353) |
| Decrease in operating liabilities | |
| Accounts payable and accrued expenses | (85,938) |
| Net cash used in operating activities | <u>(13,166)</u> |

Cash flows from investing activities

| | |
|---------------------------------------|----------------|
| Reinvestment of dividends | (4,474) |
| Net cash used in investing activities | <u>(4,474)</u> |

Net change in cash and cash equivalents

(17,640)

Cash and cash equivalents, beginning of year

637,498

Cash and cash equivalents, end of year

\$ 619,858

Supplemental disclosure of cash flow information

| | |
|------------------------|-------------|
| Cash paid for interest | \$ - |
| Income taxes paid | <u>\$ -</u> |

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2019

1. 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.

PVS programs include conducting meets and other swim activities; training officials, coaches and other volunteers on the rules and regulations of USA swimming. Revenue is generated from membership and registrations, meets and other swimming activities.

2. Significant accounting policies

Basis of accounting

The financial statements of PVS are prepared using the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Financial statement presentation

PVS is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are available for use in general operations. Net assets with donor restrictions generally result from assets donated with restrictions that are temporary in nature, such as those met by the passage of time or other events specified by the donor. At August 31, 2019, PVS had no net assets with donor restrictions.

Revenue recognition

Membership registrations are recognized as revenue in the period received. The membership period aligns with PVS' fiscal year and dues are neither prorated for partial periods or available to be paid in advance. A portion of membership dues collected are payable to USA Swimming (USAS) and are remitted to USAS on a regular basis.

Cash and cash equivalents

For purposes of the statements of cash flows, PVS considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. FDIC insurance is \$250,000 per depositor, per insured bank. At August 31, 2019, cash exceeded the FDIC limit by \$382,747.

Receivables

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable. Based on history, management has concluded that realization losses will be immaterial. Receivables are uncollateralized.

Investments

Investments are composed of a money market fund and mutual funds and are stated at fair value at the statement of financial position date and are subject to change thereafter due to market conditions. Realized and unrealized gains and losses are included with investment income in the statement of activities.

Property and equipment

Equipment which costs in excess of \$2,500 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.

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2019

Income tax status

PVS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's exempt purpose is subject to taxation as unrelated business income. PVS had no unrelated business income for the years ended August 31, 2019.

The material jurisdictions subject to potential examination by taxing authorities are the United States, Maryland and Virginia. The Board does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the PVS's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2016 through 2019.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, accounts receivable and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include salaries, payroll taxes, and employee benefits.

Recently adopted accounting pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 represents phase 1 of FASB's Not-for-Profit financial reporting project and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information in liquidity, retains the option to present the cash flow statement on a direct or indirect method, and includes various other additional disclosure requirements. PVS adopted this ASU as of and for the year ended August 31, 2019.

New accounting pronouncements

The Financial Accounting Standards Board (FASB) has issued ASU 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. The ASU is effective for annual reporting periods beginning after December 15, 2018. PVS adopted the standard on its effective date, which for PVS was September 1, 2019.

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2020. PVS plans to adopt the standard on its effective date, which for PVS is September 1, 2021. PVS has not evaluated the impact of this statement.

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2019

The FASB has issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. PVS adopted the standard on its effective date, which for PVS was September 1, 2019.

3. Investments

PVS reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the liability, including assumptions about risk. Inputs are classified into a three-tier hierarchy as follows: Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

PVS investment assets are classified within Level 1 because they comprised of equities and open-end mutual funds with readily determinable fair values based on daily redemption values.

Investments, at fair value, consisted of the following at August 31:

| | <u>2019</u> |
|----------------------|-------------------|
| Money market funds | \$ 1,677 |
| Mutual funds | |
| US equity | 92,657 |
| International equity | 25,233 |
| Fixed income | 65,249 |
| Mixed asset | 74,919 |
| Total Level 1 assets | <u>\$ 259,735</u> |

Net investment income consisted of the following at August 31:

| | <u>2019</u> |
|--------------------------------|-----------------|
| Interest and dividends | \$ 6,915 |
| Realized and unrealized losses | <u>(2,425)</u> |
| | <u>\$ 4,490</u> |

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2019

4. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following assets at August 31, 2019:

| | | |
|---------------------------|----|----------------|
| Cash and cash equivalents | \$ | 619,858 |
| Accounts receivable | | 33,498 |
| Investments | | 259,735 |
| | \$ | <u>913,091</u> |

5. Property and equipment

Property and equipment consisted of the following at August 31:

| | <u>2019</u> | <u>Useful life</u> |
|-------------------------------|------------------|--------------------|
| Property and equipment, cost | \$ 104,359 | 3 years |
| Less accumulated depreciation | <u>(100,342)</u> | |
| | <u>\$ 4,017</u> | |

6. Related party transactions

PVS pays member clubs' meet management fees for hosting PVS sponsored meets. In many cases, member clubs' management may also occupy positions on PVS's Board of Directors or serve in leadership positions on PVS Committees. PVS's method of awarding meets to clubs requires a majority vote by PVS's full Board of Directors. PVS also awards member clubs travel reimbursements for athlete travel to meets where the athlete represents PVS. No single individual or club has the ability to unilaterally award a meet or approve travel reimbursements. For the year ended August 31, 2019, fees paid to related clubs totaled \$59,380.

7. Donated services

PVS receives a significant amount of donated services from unpaid volunteers. These services are not included in the statement of activities because they do not meet the criteria for recognition as required by the Donated Services Topic of the Accounting Standards Codification.

8. Subsequent events

Potomac Valley Swimming, Inc. assessed events occurring subsequent to August 31, 2019 through January 22, 2020, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent accountant's review report.