

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2010 AND 2009

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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, 2010 and 2009, 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 auditing standards generally accepted in the United States of America. 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, 2010 and 2009, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



December 20, 2010

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents (Notes 1 and 2):		
Cash	\$ 167,432	\$ 129,749
Certificates of deposit	<u>355,790</u>	<u>453,765</u>
Total cash and cash equivalents	\$ 523,222	\$ 583,514
Receivables (Note 1)	12,185	25,297
Prepaid expenses	14,251	9,412
Investments (Notes 1, 3 and 4)	105,624	95,266
Equipment, net of accumulated depreciation of \$72,961 and \$122,389 for 2010 and 2009, respectively (Note 1)	<u>13,724</u>	<u>16,050</u>
TOTAL ASSETS	<u><u>\$ 669,006</u></u>	<u><u>\$ 729,539</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 25,962	\$ 41,469
NET ASSETS, UNRESTRICTED (Note 1)	<u>643,044</u>	<u>688,070</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 669,006</u></u>	<u><u>\$ 729,539</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,	
	2010	2009
REVENUE:		
Membership registration	\$ 698,210	\$ 681,419
Amounts transferred to USA Swimming	<u>(476,873)</u>	<u>(457,291)</u>
Net membership registration	\$ 221,337	\$ 224,128
Meet fees	460,753	460,311
Investment income (Notes 1 and 3)	24,459	8,628
Miscellaneous income	<u>9,829</u>	<u>17,250</u>
TOTAL REVENUE	<u>\$ 716,378</u>	<u>\$ 710,317</u>
EXPENSES:		
Programs:		
Swim meets	\$ 641,410	\$ 586,784
Travel assistance	<u>29,371</u>	<u>19,050</u>
Total program expenses	\$ 670,781	\$ 605,834
General and administrative	<u>90,623</u>	<u>89,804</u>
TOTAL EXPENSES	<u>\$ 761,404</u>	<u>\$ 695,638</u>
CHANGE IN NET ASSETS	\$ (45,026)	\$ 14,679
NET ASSETS, BEGINNING OF YEAR	<u>688,070</u>	<u>673,391</u>
NET ASSETS, END OF YEAR	<u>\$ 643,044</u>	<u>\$ 688,070</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,

2010 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash and cash equivalents (Notes 1 and 2):	\$ 705,031	\$ 1,138,072
Cash paid to suppliers and USA Swimming	(766,411)	(1,129,741)
Interest and dividends received	18,140	21,325

**NET CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES**

\$ (43,240)	\$ 29,656
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of equipment	\$ (12,988)	\$ (3,760)
Sales of investments	819	-
Purchases of investments	(4,883)	(4,902)

CASH USED IN INVESTING ACTIVITIES

\$ (17,052)	\$ (8,662)
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NET CHANGE IN CASH AND CASH EQUIVALENTS

\$ (60,292)	\$ 20,994
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

583,514	562,520
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CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 523,222	\$ 583,514
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**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES:**

Change in net assets	\$ (45,026)	\$ 14,679
Reconciliation adjustments:		
Depreciation	13,900	17,298
Net realized and unrealized loss (gain)		
on investments	(6,319)	12,697
Loss on disposal of equipment	1,439	
Changes in assets and liabilities:		
Receivables	13,112	(20,908)
Prepaid expenses	(4,839)	(2,390)
Accounts payable	(15,507)	8,280

**NET CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES**

\$ (43,240)	\$ 29,656
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The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

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. Revenue and expenses are recognized and recorded when earned or incurred.

Financial Statement Presentation - 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, 2010 and 2009.

Cash and Cash Equivalents - For purposes of the statement of cash flows, PVS considers certificates of deposit to be cash equivalents.

Receivables - Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on history, management has concluded that realization losses will be immaterial. PVS does not require collateral from its members.

Investments - Investments are composed of publicly-traded mutual funds and are stated at fair value at the statement of financial position dates and are subject to change thereafter due to market conditions. Money market accounts held with investment advisors are considered to be investments. Unrealized gains and losses are included with investment income 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 Tax Status - 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 2010 and 2009.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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 and allocated based on management's estimates.

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 \$250,000 and \$100,000 as of August 31, 2010 and 2009, respectively 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:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Money market	\$ 10	\$ 10	\$ 288	\$ 288
Mutual funds	105,614	112,358	94,978	108,140
Totals	<u>\$ 105,624</u>	<u>\$ 112,368</u>	<u>\$ 95,266</u>	<u>\$ 108,428</u>

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

	2010	2009
Interest and dividends	\$ 18,140	\$ 21,325
Net realized and unrealized gain (loss)	6,319	(12,697)
Totals	<u>\$ 24,459</u>	<u>\$ 8,628</u>

POTOMAC VALLEY SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010 AND 2009

Note 4. **Fair Value of Financial Instruments** - The following methods and assumptions were used by PVS in estimating its fair value disclosures for financial instruments:

Money Market - The carrying value amounts of the money market fund reported in the statement of financial position approximates fair value.

Mutual Funds - The fair value of mutual funds are based on quoted market prices for those or similar investments.

The following table presents PVS's fair value hierarchy for the financial assets measured at fair value on August 31:

	2010		2009	
		Quoted Prices In Active Markets For Identical Assets		Quoted Prices In Active Markets For Identical Assets
	Fair Value	(Level 1)	Fair Value	(Level 1)
Money market	\$ 10	\$ 10	\$ 288	\$ 288
Mutual funds	105,614	105,614	94,978	94,978
Totals	<u>\$ 105,624</u>	<u>\$ 105,624</u>	<u>\$ 95,266</u>	<u>\$ 95,266</u>

Note 5. **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 as required by the Donated Services Topic of the FASB Accounting Standards Codification.

Note 6. **Subsequent Events** - In preparation of these financial statements, PVS has evaluated events and transactions for potential recognition or disclosure through December 20, 2010 which is the date the financial statements were available to be issued.

Note 7. **Reclassifications** - Certain reclassifications have been made to the 2009 balances to conform to the 2010 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 2010 and 2009 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.



December 20, 2010

POTOMAC VALLEY SWIMMING, INC.
SCHEDULES OF REVENUE AND EXPENSES

	FOR THE YEARS ENDED AUGUST 31,	
	2010	2009
REVENUE:		
Membership registration	\$ 698,210	\$ 681,419
Less, Amounts transferred to USA Swimming	(476,873)	(457,291)
Net membership registration	\$ 221,337	\$ 224,128
PVS meet fees	293,415	280,704
Zone team fees	86,136	101,401
Club meet fees	81,202	76,689
Investment income	24,459	17,250
Miscellaneous income	9,829	8,628
Eastern Zone fees	-	1,517
Totals	<u>\$ 716,378</u>	<u>\$ 710,317</u>
EXPENSES:		
PROGRAMS:		
PVS and club meets	\$ 315,275	\$ 256,077
LC and SC Zone teams and camps	127,531	157,658
Contract services and Executive		
Director's compensation	104,222	110,626
Travel assistance	29,371	19,050
Other program support	29,281	32,959
Swimposium	27,836	-
Equipment parts and supplies	18,992	8,312
Depreciation	13,900	17,298
Payroll taxes	2,249	1,983
Loss on disposal of equipment	1,439	-
Website and internet	685	692
Eastern Zone expenses	-	1,179
Totals	<u>\$ 670,781</u>	<u>\$ 605,834</u>
GENERAL AND ADMINISTRATIVE:		
Committee	\$ 29,872	\$ 21,216
Executive Director's compensation	29,400	38,880
Professional services	11,730	16,389
Office and other administrative	8,008	6,885
Office rent	6,000	1,008
Telephone	2,478	1,509
Payroll taxes	2,249	2,974
Investment and banking fees	886	943
Totals	<u>\$ 90,623</u>	<u>\$ 89,804</u>