

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2011 AND 2010

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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, 2011 and 2010, 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sarfino and Rhoades, LLP

December 15, 2011

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	2011	2010
ASSETS		
Cash and cash equivalents (Note 1 and 2):		
Cash	\$ 368,932	\$ 167,432
Certificates of deposit	132,988	355,790
Total cash and cash equivalents	\$ 501,920	\$ 523,222
Receivables (Note 1)	4,253	12,185
Prepaid expenses	3,525	14,251
Investments (Notes 1, 3 and 4)	116,695	105,624
Equipment, net of accumulated depreciation of \$83,164 and \$72,961 for 2011 and 2010, respectively (Note 1)	14,971	13,724
TOTAL ASSETS	\$ 641,364	\$ 669,006
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 30,954	\$ 25,962
NET ASSETS, UNRESTRICTED (Note 1)	610,410	643,044
TOTAL LIABILITIES AND NET ASSETS	\$ 641,364	\$ 669,006

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

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED	
	AUGUST 31,	
	<u>2011</u>	<u>2010</u>
REVENUE:		
Membership registration	\$ 740,956	\$ 698,210
Less, Amounts transferred to USA Swimming	<u>509,762</u>	<u>476,873</u>
Net membership registration	\$ 231,194	\$ 221,337
Meet fees	566,041	460,753
Investment income (Notes 1 and 3)	19,618	24,459
Miscellaneous income	<u>587</u>	<u>9,829</u>
TOTAL REVENUE	<u>\$ 817,440</u>	<u>\$ 716,378</u>
EXPENSES:		
Programs:		
Swim meets	\$ 721,024	\$ 641,410
Travel assistance	<u>27,700</u>	<u>29,371</u>
Total program expenses	\$ 748,724	\$ 670,781
General and administrative	<u>101,350</u>	<u>90,623</u>
TOTAL EXPENSES	<u>\$ 850,074</u>	<u>\$ 761,404</u>
CHANGE IN NET ASSETS	\$ (32,634)	\$ (45,026)
NET ASSETS, BEGINNING OF YEAR	<u>643,044</u>	<u>688,070</u>
NET ASSETS, END OF YEAR	<u>\$ 610,410</u>	<u>\$ 643,044</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,

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, clubs and other	\$ 805,754	\$ 705,031
Cash paid to suppliers and USA Swimming	(824,153)	(766,411)
Interest and dividends received	12,763	18,140
NET CASH USED IN		
OPERATING ACTIVITIES	<u>\$ (5,636)</u>	<u>\$ (43,240)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (11,450)	\$ (12,988)
Sales of investments	838	819
Purchases of investments	(5,054)	(4,883)
CASH USED IN INVESTING ACTIVITIES	<u>\$ (15,666)</u>	<u>\$ (17,052)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 \$ (21,302)	 \$ (60,292)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>523,222</u>	 <u>583,514</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 501,920</u>	 <u>\$ 523,222</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets	\$ (32,634)	\$ (45,026)
Reconciliation adjustments:		
Depreciation	10,203	13,900
Net realized and unrealized gain on investments	(6,855)	(6,319)
Loss on disposal of equipment	-	1,439
Changes in assets and liabilities:		
Receivables	7,932	13,112
Prepaid expenses	10,726	(4,839)
Accounts payable	4,992	(15,507)
NET CASH USED IN		
OPERATING ACTIVITIES	<u>\$ (5,636)</u>	<u>\$ (43,240)</u>

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

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, 2011 and 2010.

Cash and Cash Equivalents - For purposes of the statements 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 yearend. 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 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. Money market accounts held with investment advisors are considered to be investments. Realized and 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 2011 and 2010. PVS' federal information returns (Form 990, *Return of Organization Exempt from Income Tax*) generally are not subject to examination by the IRS for the years ended August 31, 2007 and prior.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

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. PVS' cash management policies limits its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance (FDIC). The money market fund held in a brokerage account is not insured by the FDIC.

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

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Money market fund	\$ 17	\$ 17	\$ 10	\$ 10
Mutual funds:				
Equity funds	33,163	31,781	29,447	31,333
Fixed income funds	52,125	49,852	47,535	47,876
Mixed assets	31,390	34,944	28,632	33,149
Totals	<u>\$ 116,695</u>	<u>\$ 116,594</u>	<u>\$ 105,624</u>	<u>\$ 112,368</u>

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

	2011	2010
Interest and dividends	\$ 12,763	\$ 18,140
Net realized and unrealized gains	6,855	6,319
Totals	<u>\$ 19,618</u>	<u>\$ 24,459</u>

POTOMAC VALLEY SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

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 fund - The carrying value of the money market fund reported in the statements of financial position approximates the original cost and the values of the underlying assets.

Mutual Funds and Mixed Assets - The fair value of mutual funds are based on the net asset value on the last business day of the year.

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

	2011	2010
	Quoted Prices In Active Markets For Identical Assets (Level 1)	Quoted Prices In Active Markets For Identical Assets (Level 1)
Money market fund	\$ 17	\$ 10
Mutual funds:		
Equity funds	33,163	29,447
Fixed income funds	52,125	47,535
Mixed asset funds	31,390	28,632
Totals	<u>\$ 116,695</u>	<u>\$ 105,624</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 15, 2011, which is the date the financial statements were available to be issued.

Note 7. **Reclassifications** - Certain reclassifications have been made to the 2010 balances to conform to the 2011 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 2011 and 2010 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 15, 2011

POTOMAC VALLEY SWIMMING, INC.
SCHEDULES OF REVENUE AND EXPENSES

	FOR THE YEARS ENDED	
	AUGUST 31,	
	2011	2010
REVENUE:		
Membership registration	\$ 740,956	\$ 698,210
Less, Amounts transferred to USA Swimming	509,762	476,873
Net membership registration	\$ 231,194	\$ 221,337
PVS meet fees	328,372	293,415
Zone team fees	153,558	86,136
Club meet fees	84,111	81,202
Investment income	19,618	24,459
Miscellaneous income	587	9,829
Totals	\$ 817,440	\$ 716,378
 EXPENSES:		
PROGRAMS:		
PVS and club meets	\$ 328,534	\$ 331,261
LC and SC Zone teams and camps	216,400	127,531
Contract services and Executive		
Director's compensation	112,925	104,222
Travel assistance	27,700	29,371
Other program support	21,787	4,557
Officials' support	14,447	8,738
Equipment parts and supplies	14,172	18,992
Depreciation	10,203	13,900
Payroll taxes	2,456	2,249
Website and internet	100	685
Swimposium	-	27,836
Loss on disposal of equipment	-	1,439
Totals	\$ 748,724	\$ 670,781
 GENERAL AND ADMINISTRATIVE:		
Executive Director's compensation	\$ 32,100	\$ 29,400
Meetings and conferences	27,685	29,872
Professional services	24,199	11,730
Office and other administrative	7,665	8,008
Office rent	3,600	6,000
Payroll taxes	2,455	2,249
Telephone	2,375	2,478
Investment and banking fees	1,271	886
Totals	\$ 101,350	\$ 90,623