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January 9, 2013

To the House of Delegates
Potomac Valley Swimming, Inc

We have audited the financial statements of Potomac Valley Swimming, Inc for the year ended August 31, 2012, and have issued our report thereon dated January 9, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Potomac Valley Swimming, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended August 31, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are clear, consistent and neutral.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the

information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the House of Delegates and management of Potomac Valley Swimming, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Sarfino and Rhoades, LLP

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2012 AND 2011

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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, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Potomac Valley Swimming, Inc.'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, 2012 and 2011, 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.



January 9, 2013

POTOMAC VALLEY SWIMMING, INC.

STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	2012	2011
ASSETS		
Cash and cash equivalents (Notes 1 and 2):		
Cash	\$ 452,589	\$ 368,932
Certificates of deposit	-	132,988
Total cash and cash equivalents	\$ 452,589	\$ 501,920
Receivables (Note 1)	29,332	4,253
Prepaid expenses	3,060	3,525
Investments (Notes 1, 3 and 4)	125,320	116,695
Equipment, net of accumulated depreciation of \$91,770 and \$83,164 for 2012 and 2011, respectively (Note 1)	19,244	14,971
TOTAL ASSETS	\$ 629,545	\$ 641,364
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 17,278	\$ 30,954
NET ASSETS, UNRESTRICTED (Note 1)	612,267	610,410
TOTAL LIABILITIES AND NET ASSETS	\$ 629,545	\$ 641,364

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

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED AUGUST 31,	
	2012	2011
REVENUE:		
Membership registration	\$ 808,903	\$ 740,956
Less, Amounts transferred to USA Swimming	<u>543,072</u>	<u>509,762</u>
Net membership registration	\$ 265,831	\$ 231,194
Meet fees	614,618	566,041
Investment income (Notes 1 and 3)	14,688	19,618
Miscellaneous income	<u>100</u>	<u>587</u>
TOTAL REVENUE	<u>\$ 895,237</u>	<u>\$ 817,440</u>
EXPENSES:		
Programs:		
Swim meets	\$ 753,621	\$ 721,024
Travel assistance	<u>39,250</u>	<u>27,700</u>
Total program expenses	\$ 792,871	\$ 748,724
General and administrative	<u>100,509</u>	<u>101,350</u>
TOTAL EXPENSES	<u>\$ 893,380</u>	<u>\$ 850,074</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ 1,857	\$ (32,634)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>610,410</u>	<u>643,044</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 612,267</u>	<u>\$ 610,410</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,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, clubs and other	\$ 855,470	\$ 805,754
Cash paid to suppliers and USA Swimming	(895,635)	(824,153)
Interest and dividends received	10,720	12,763
NET CASH USED IN OPERATING ACTIVITIES	\$ (29,445)	\$ (5,636)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (15,229)	\$ (11,450)
Sales of investments	815	838
Purchases of investments	(5,472)	(5,054)
NET CASH USED IN INVESTING ACTIVITIES	\$ (19,886)	\$ (15,666)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (49,331)	\$ (21,302)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	501,920	523,222
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 452,589	\$ 501,920
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets	\$ 1,857	\$ (32,634)
Reconciliation adjustments:		
Depreciation	10,956	10,203
Net realized and unrealized gain on investments	(3,968)	(6,855)
Changes in assets and liabilities:		
Receivables	(25,079)	7,932
Prepaid expenses	465	10,726
Accounts payable	(13,676)	4,992
NET CASH USED IN OPERATING ACTIVITIES	\$ (29,445)	\$ (5,636)

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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, 2012 and 2011.

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 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 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 2012 and 2011. 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, 2008 and prior.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Money market fund	\$ 8	\$ 8	\$ 17	\$ 17
Mutual funds:				
Equity	35,271	31,653	33,163	31,781
Fixed income	55,452	53,147	52,125	49,852
Mixed asset	34,589	36,049	31,390	34,944
Totals	<u>\$ 125,320</u>	<u>\$ 120,857</u>	<u>\$ 116,695</u>	<u>\$ 116,594</u>

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

	2012	2011
Interest and dividends	\$ 10,720	\$ 12,763
Net realized and unrealized gains	3,968	6,855
Totals	<u>\$ 14,688</u>	<u>\$ 19,618</u>

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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:

	2012	2011
	Quoted Prices In Active Markets For Identical Assets (Level 1)	Quoted Prices In Active Markets For Identical Assets (Level 1)
Money market fund	\$ 8	\$ 17
Mutual funds:		
Equity	35,271	33,163
Fixed income	55,452	52,125
Mixed asset	34,589	31,390
Totals	<u>\$ 125,320</u>	<u>\$ 116,695</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 January 9, 2013, which is the date the financial statements were available to be issued.

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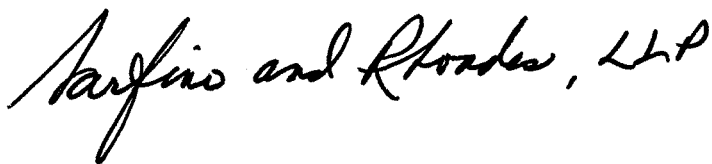
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Potomac Valley Swimming, Inc. as of and for the years ended August 31, 2012 and 2011, and have issued our report thereon dated January 9, 2013, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenses are fairly stated in all material respects in relation to the financial statements as a whole.



January 9, 2013

POTOMAC VALLEY SWIMMING, INC.

SCHEDULES OF REVENUE AND EXPENSES

	FOR THE YEARS ENDED AUGUST 31,	
	2012	2011
REVENUE:		
Membership registration	\$ 808,903	\$ 740,956
Less, Amounts transferred to USA Swimming	<u>543,072</u>	<u>509,762</u>
Net membership registration	\$ 265,831	\$ 231,194
PVS meet fees	360,659	328,372
Zone team fees	161,304	153,558
Club meet fees	92,655	84,111
Investment income	14,688	19,618
Miscellaneous income	<u>100</u>	<u>587</u>
Totals	<u>\$ 895,237</u>	<u>\$ 817,440</u>
EXPENSES:		
PROGRAMS:		
PVS and club meets	\$ 325,295	\$ 328,534
LC and SC Zone teams and camps	257,102	216,400
Contract services and compensation	116,141	112,925
Travel assistance	39,250	27,700
Other program support	14,919	21,787
Equipment parts and supplies	11,915	14,172
Depreciation	10,956	10,203
Officials' support	8,322	14,447
Payroll taxes	4,901	2,456
Swimposium	4,060	-
Website and internet	<u>10</u>	<u>100</u>
Totals	<u>\$ 792,871</u>	<u>\$ 748,724</u>
GENERAL AND ADMINISTRATIVE:		
Compensation	\$ 43,218	\$ 32,100
Meetings and conferences	25,030	27,685
Professional services	13,735	24,199
Office and other administrative	8,639	7,665
Office rent	3,600	3,600
Payroll taxes	3,306	2,455
Telephone	2,051	2,375
Investment and banking fees	<u>930</u>	<u>1,271</u>
Totals	<u>\$ 100,509</u>	<u>\$ 101,350</u>