

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2013 AND 2012

TABLE OF CONTENTS

	Page
Independent Accountants' Review Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 8
Supplemental Information:	
Schedules of Revenue and Expenses	9

J Gregory Sarfino 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 ACCOUNTANTS' REPORT

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

We have reviewed the accompanying statement of financial position of Potomac Valley Swimming, Inc. (a nonprofit organization) as of August 31, 2013, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information for the year ended August 31, 2013 included in the accompanying Schedule of Revenue 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 inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

The financial statements for the year ended August 31, 2012, were audited by us, and we expressed an unmodified opinion on them in our report dated January 9, 2013. In addition, the supplementary information for the year ended August 31, 2012, contained in the Schedule of Revenue and Expenses, was subjected to the auditing procedures applied in the audit 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. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the supplementary information since January 9, 2013.

Sarfino and Rhodes, LLP

December 24, 2013

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	2013 (Unaudited)	2012 (Audited)
ASSETS		
Cash and cash equivalents (Notes 1 and 2)	\$ 542,648	\$ 452,589
Receivables (Note 1)	9,565	29,332
Prepaid expenses	7,871	3,060
Investments (Notes 1, 3 and 4)	140,493	125,320
Equipment, net of accumulated depreciation of \$79,002 and \$91,770 for 2013 and 2012, respectively (Note 1)	27,393	19,244
TOTAL ASSETS	\$ 727,970	\$ 629,545
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 21,278	\$ 17,278
NET ASSETS, UNRESTRICTED (Note 1)	706,692	612,267
TOTAL LIABILITIES AND NET ASSETS	\$ 727,970	\$ 629,545

See accompanying notes and Independent Accountants' Report.

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED AUGUST 31,	
	2013 <u>(Unaudited)</u>	2012 <u>(Audited)</u>
REVENUE:		
Membership registration	\$ 912,133	\$ 808,903
Less, Amounts transferred to USA Swimming	<u>616,987</u>	<u>543,072</u>
Net membership registration	\$ 295,146	\$ 265,831
Meet fees	708,687	614,618
Investment income (Notes 1 and 3)	16,916	14,688
Miscellaneous income	<u>7,836</u>	<u>100</u>
TOTAL REVENUE	<u>\$ 1,028,585</u>	<u>\$ 895,237</u>
EXPENSES:		
Programs:		
Swim meets	\$ 812,742	\$ 753,621
Travel assistance	<u>25,200</u>	<u>39,250</u>
Total program expenses	\$ 837,942	\$ 792,871
General and administrative	<u>96,218</u>	<u>100,509</u>
TOTAL EXPENSES	<u>\$ 934,160</u>	<u>\$ 893,380</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ 94,425	\$ 1,857
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>612,267</u>	<u>610,410</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 706,692</u>	<u>\$ 612,267</u>

See accompanying notes and Independent Accountants' Report.

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED AUGUST 31,	
	2013	2012
	<u>(Unaudited)</u>	<u>(Audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, clubs and other	\$ 1,031,436	\$ 855,470
Cash paid to suppliers and USA Swimming	(922,187)	(895,635)
Interest and dividends received	<u>5,988</u>	<u>10,720</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 115,237</u>	<u>\$ (29,445)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (20,933)	\$ (15,229)
Sales of investments	70,756	815
Purchases of investments	<u>(75,001)</u>	<u>(5,472)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (25,178)</u>	<u>\$ (19,886)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 90,059	\$ (49,331)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>452,589</u>	<u>501,920</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 542,648</u>	<u>\$ 452,589</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets	\$ 94,425	\$ 1,857
Reconciliation adjustments:		
Depreciation	12,784	10,956
Net realized and unrealized gain on investments	(10,928)	(3,968)
Changes in assets and liabilities:		
Receivables	19,767	(25,079)
Prepaid expenses	(4,811)	465
Accounts payable	<u>4,000</u>	<u>(13,676)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 115,237</u>	<u>\$ (29,445)</u>

See accompanying notes and Independent Accountants' Report.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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, 2013 and 2012.

Cash and Cash Equivalents - For financial statement purposes, PVS considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Money market accounts held with investment advisors are considered to be investments.

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. 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. 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 2013 and 2012. 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, 2009 and prior.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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 that potentially subject PVS to concentrations of credit risk, include cash deposits with commercial banks and investment brokers. PVS' cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), though balances may exceed the limits specified by the FDIC at times throughout the year. 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:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Money market fund	\$ 1,855	\$ 1,855	\$ 8	\$ 8
Mutual funds:				
Equity	54,939	45,376	35,271	31,653
Fixed income	42,388	42,811	55,452	53,147
Mixed asset	41,311	40,929	34,589	36,049
Totals	<u>\$ 140,493</u>	<u>\$ 130,971</u>	<u>\$ 125,320</u>	<u>\$ 120,857</u>

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

	2013	2012
Interest and dividends	\$ 5,988	\$ 10,720
Net realized and unrealized gains	10,928	3,968
Totals	<u>\$ 16,916</u>	<u>\$ 14,688</u>

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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 - 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:

	2013	2012
	Quoted Prices In Active Markets For Identical Assets (Level 1)	Quoted Prices In Active Markets For Identical Assets (Level 1)
Money market fund	\$ 1,855	\$ 8
Mutual funds:		
Equity	54,939	35,271
Fixed income	42,388	55,452
Mixed asset	41,311	34,589
Totals	\$ 140,493	\$ 125,320

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 24, 2013, which is the date the financial statements were available to be issued.

POTOMAC VALLEY SWIMMING, INC.

SCHEDULES OF REVENUE AND EXPENSES

	FOR THE YEARS ENDED AUGUST 31,	
	2013 <u>(Unaudited)</u>	2012 <u>(Audited)</u>
REVENUE:		
Membership registration	\$ 912,133	\$ 808,903
Less, Amounts transferred to USA Swimming	<u>616,987</u>	<u>543,072</u>
Net membership registration	\$ 295,146	\$ 265,831
PVS meet fees	429,394	360,659
Zone team fees	168,380	161,304
Club meet fees	110,913	92,655
Investment income	16,916	14,688
Miscellaneous income	<u>7,836</u>	<u>100</u>
Totals	<u>\$ 1,028,585</u>	<u>\$ 895,237</u>
EXPENSES:		
PROGRAMS:		
PVS and club meets	\$ 390,062	\$ 325,295
LC and SC Zone teams and camps	216,676	257,102
Compensation and contract services	118,395	116,141
Other program support	25,898	14,919
Travel assistance	25,200	39,250
Equipment parts and supplies	15,373	11,915
Officials' support	13,699	8,322
Swimposium	13,113	4,060
Depreciation	12,784	10,956
Payroll taxes	5,362	4,901
Website and internet	<u>1,380</u>	<u>10</u>
Totals	<u>\$ 837,942</u>	<u>\$ 792,871</u>
GENERAL AND ADMINISTRATIVE:		
Compensation	\$ 45,757	\$ 43,218
Meetings and conferences	24,881	25,030
Professional services	9,930	13,735
Office and other administrative	8,018	8,639
Payroll taxes	3,500	3,306
Office rent	3,000	3,600
Investment and banking fees	1,132	930
Telephone	<u>-</u>	<u>2,051</u>
Totals	<u>\$ 96,218</u>	<u>\$ 100,509</u>