

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2016 AND 2015

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Potomac Valley Swimming, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities 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 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'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 financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' 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.

Accountants' Conclusion

Based on 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 accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the schedule of revenue and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of

America. We have not audited the information, and accordingly, do not express an opinion on such information.

Report on 2015 Financial Statements and Supplementary Information

The 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated December 14, 2015. In addition, the 2015 supplementary information was subjected to 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 December 14, 2015.

Nardino and Rhodes, LLP

November 18, 2016

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	2016 <u>(Unaudited)</u>	2015 <u>(Audited)</u>
ASSETS		
Cash and cash equivalents (Notes 1 and 2)	\$ 660,492	\$ 672,786
Receivables (Note 1)	11,524	79,588
Prepaid expenses and other	7,022	3,945
Investments (Notes 1, 3 and 4)	215,310	201,959
Equipment, net of accumulated depreciation of \$106,980 and \$102,972 for 2016 and 2015, respectively (Note 1)	<u>8,195</u>	<u>16,821</u>
TOTAL ASSETS	<u><u>\$ 902,543</u></u>	<u><u>\$ 975,099</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 120,530	\$ 159,044
NET ASSETS, UNRESTRICTED (Note 1)	<u>782,013</u>	<u>816,055</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 902,543</u></u>	<u><u>\$ 975,099</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,	
	2016	2015
	<u>(Unaudited)</u>	<u>(Audited)</u>
REVENUE (Note 1):		
Membership registration	\$ 1,000,411	\$ 947,772
Less, Amounts transferred to USA Swimming	<u>707,502</u>	<u>654,894</u>
Net membership registration	\$ 292,909	\$ 292,878
Meet fees	760,199	757,889
Investment income (Notes 1 and 3)	15,705	(10,910)
Miscellaneous income	<u>3,731</u>	<u>2,528</u>
TOTAL REVENUE	<u>\$ 1,072,544</u>	<u>\$ 1,042,385</u>
EXPENSES:		
Programs:		
Swim meets	\$ 988,600	\$ 911,614
Travel assistance	<u>33,150</u>	<u>30,050</u>
Total program expenses	\$ 1,021,750	\$ 941,664
General and administrative	<u>84,836</u>	<u>81,425</u>
TOTAL EXPENSES	<u>\$ 1,106,586</u>	<u>\$ 1,023,089</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ (34,042)	\$ 19,296
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>816,055</u>	<u>796,759</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u><u>\$ 782,013</u></u>	<u><u>\$ 816,055</u></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,	
	2016 <u>(Unaudited)</u>	2015 <u>(Audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, clubs and other	\$ 1,124,903	\$ 1,007,617
Cash paid to employees, contractors, suppliers and USA Swimming	(1,138,919)	(976,000)
Interest and dividends received	<u>11,589</u>	<u>6,879</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (2,427)</u>	<u>\$ 38,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (632)	\$ (13,398)
Sales of investments	10,840	5,366
Purchases of investments	<u>(20,075)</u>	<u>(19,767)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (9,867)</u>	<u>\$ (27,799)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (12,294)	\$ 10,697
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>672,786</u>	<u>662,089</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 660,492</u>	<u>\$ 672,786</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ (34,042)	\$ 19,296
Reconciliation adjustments:		
Depreciation	9,258	10,879
Net realized and unrealized loss (gain) on investments	(4,116)	17,789
Changes in assets and liabilities:		
Decrease (increase) in receivables	68,064	(45,678)
Decrease (increase) in prepaid expenses and other	(3,077)	4,186
Increase (decrease) in accounts payable	<u>(38,514)</u>	<u>32,024</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (2,427)</u>	<u>\$ 38,496</u>

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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, 2016 and 2015.

Revenue Recognition - Membership dues are recognized as revenue when earned. A portion of membership dues are payable to USA Swimming (USAS) and are remitted to USAS on a regular basis.

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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

Income Tax Status - PVS is exempt from income taxes under Section 501(3) of the Internal Revenue Code, except for taxes on unrelated business income. PVS had no unrelated business income for the years ended August 31, 2016 and 2015.

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 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. At August 31, 2016, PVS held cash in excess of FDIC limits of \$413,025.

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

	2016 (Unaudited)		2015 (Audited)	
	Fair Value	Cost	Fair Value	Cost
Money market fund	\$ 543	\$ 543	\$ 699	\$ 699
Mutual funds:				
Equity	89,757	78,214	87,534	76,596
Fixed income	61,377	64,223	57,131	62,076
Mixed asset	63,633	63,039	56,595	58,301
Totals	<u>\$ 215,310</u>	<u>\$ 206,019</u>	<u>\$ 201,959</u>	<u>\$ 197,672</u>

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 3. **Investments** - (Continued)

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

	<u>2016</u>	<u>2015</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Interest and dividends	\$ 11,589	\$ 6,879
Net realized and unrealized gains (losses)	<u>4,116</u>	<u>(17,789)</u>
Totals	<u>\$ 15,705</u>	<u>\$ (10,910)</u>

Note 4. **Fair Value Measurement** - Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value:

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.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 4. **Fair Value Measurement** - (Continued)

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:

	2016	2015
	(Level 1)	(Level 1)
	(Unaudited)	(Audited)
Money market fund	\$ 543	\$ 699
Mutual funds:		
Equity	89,757	87,534
Fixed income	61,377	57,131
Mixed asset	63,633	56,595
Totals	<u>\$ 215,310</u>	<u>\$ 201,959</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. **Related Party Transactions** - Every year, a number of clubs who are members of PVS are retained to host PVS sponsored meets. These clubs are paid meet management fees for hosting the meets. In many cases, owners or leaders of these clubs also occupy positions on PVS's Board of Directors or sit 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. No single individual or club is in a position to unilaterally award a meet. For the years ended August 31, 2016 and 2015, fees paid to related clubs totaled \$150,656 and \$125,520, respectively.

Note 7. **Subsequent Events** - In preparation of these financial statements, PVS has evaluated events and transactions for potential recognition or disclosure through November 18, 2016, 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,	
	2016	2015
	<u>(Unaudited)</u>	<u>(Audited)</u>
REVENUE:		
Membership registration	\$ 1,000,411	\$ 947,772
Less, Amounts transferred to USA Swimming	<u>707,502</u>	<u>654,894</u>
Net membership registration	\$ 292,909	\$ 292,878
PVS meet fees	423,438	408,570
Zone team fees	204,885	195,500
Club meet fees	131,876	128,069
Investment income	15,705	(10,910)
Miscellaneous income	3,731	2,528
EZ Diversity Summit	-	<u>25,750</u>
Totals	<u>\$ 1,072,544</u>	<u>\$ 1,042,385</u>
EXPENSES:		
PROGRAMS:		
PVS and club meets	\$ 470,014	\$ 419,112
LC and SC Zone teams and camps	322,362	248,050
Compensation and contract services	118,545	116,865
Travel assistance	33,150	30,050
Officials' support	24,660	23,100
Meetings and conferences	17,675	17,529
Depreciation	9,100	10,669
Equipment parts and supplies	9,073	13,138
Other program support	9,010	12,687
Payroll taxes	7,816	7,787
Website and internet	345	917
Swimposium	-	10,706
EZ Diversity Summit	-	<u>31,054</u>
Totals	<u>\$ 1,021,750</u>	<u>\$ 941,664</u>
GENERAL AND ADMINISTRATIVE:		
Compensation	\$ 47,757	\$ 47,253
Meetings and conferences	11,934	13,634
Professional services	11,200	8,900
Office and other administrative	7,991	5,974
Payroll taxes	3,650	3,641
Investment and banking fees	2,146	1,813
Depreciation	<u>158</u>	<u>210</u>
Totals	<u>\$ 84,836</u>	<u>\$ 81,425</u>