

**Potomac Valley Swimming
Proposal to Change Accounting Method
November 8, 2007**

Proposal

It is hereby proposed that PVS change it's method of accounting for purposes of presenting monthly financial statements from a Modified Cash Basis to a full Accrual Basis of Accounting. Other monthly reports including PVS and Club Swim Meets will continue to be prepared on a Cash Basis. It is recommended that this change be effective immediately.

Discussion

PVS has historically prepared financial statements on a monthly basis using a modified cash basis of accounting. Essentially most revenues and expenses have been recorded as revenue is received or checks are issued. The only exceptions are for depreciation on capitalized equipment and certain significant receivables and refundable deposits.

Using a cash basis of accounting materially distorts the true picture of PVS's finances on a month-to-month basis and, depending on the month, materially distorts the bottom line surplus or deficit. Historically, this has not been a significant problem when looking at financial statements on an annual basis because any distortions tend to be minimized at yearend. Additionally, both our audited financial statements and tax return are prepared on full accrual basis of accounting.

Advantages of Changing to an Accrual Basis of Accounting

1. Will improve the accuracy of monthly financial disclosures and comply with Generally Accepted Accounting Principles not only at yearend but throughout the year
2. Will facilitate improved budgeting of revenues and expenses

Disadvantages of Changing to an Accrual Basis of Accounting

1. Will make comparisons of monthly financial reports from the previous year more difficult until the new method of accounting has been in place for at least one year
2. Will require additional work to keep records on an accrual basis due to the requirement to pay more attention to receivables and payables

Recommendation

It is recommended that the Board approve the change in accounting method immediately in the interest of presenting financial statements on a monthly basis that more fairly portray PVS's financial position.

Following is a comparison of the October 2007 financial statements using the historical cash basis method vs. a full accrual basis method. As the statement shows, the difference in the net surplus between the two methods is over \$122,000 or about 50% less using an accrual method of accounting.

Balance Sheet

As of October 2007

	Cash Basis			Accrual Basis
	Sept 30, 06	Sept 30, 07	Oct 31, 07	Oct 31, 07
ASSETS				
Current Assets				
Checking/Savings				
1000 · Bank & Investment Accounts				
1010 · GOA M&T	9,888	50	50	50
1011 · GOA Wachovia	6,495	6,946	6,949	6,949
1015 · ROA M&T	10,000	-	10	10
1016 · ROA Wachovia	469,373	206,863	405,256	405,256
1031 · CD - 24 Mo. (Wach) 9-13-09	-	100,000	100,600	100,600
1035 · CD-12 Mo (M&T) Closed	107,089	-		
1036 · CD-11 Mo (VCB) 8-19-07	100,000	104,929	104,929	104,929
1037 · CD-6 Mo (VCB) 3-19-07	100,000	105,197	105,197	105,197
1038 · CD -15 Mo (F&T) 2-15-08	-	103,537	104,990	104,990
1050 · Mutual Funds DR	80,051	88,779	92,142	92,142
1070 · Petty Cash	200	200	200	200
Total Checking/Savings	883,095	716,500	920,322	920,322
Accounts Receivable				
1100 · Miscellaneous Receivables				
1105 · Registrations	N/A	N/A	N/A	72,780
1106 · Entry, Splash, Sanction Fees	N/A	N/A	N/A	35,852
1107 · Equipment Rent	N/A	N/A	N/A	1,295
1108 · Interest	N/A	N/A	N/A	2,211
1109 · Other Miscellaneous	-	450	1,000	-
Total 1100 · Miscellaneous Receivables	-	450	1,000	112,137
Total Accounts Receivable	-	450	1,000	112,137
Other Current Assets				
1300 · Prepaid Expenses				
1305 · Pool Rental Fees	N/A	N/A	N/A	12,951
Total 1300 · Prepaid Expenses	N/A	N/A	N/A	12,951
Total Current Assets	883,095	716,950	921,322	1,045,411
Fixed Assets				
1500 · Equipment				
1510 · Meet Equipment	85,441	105,131	111,856	111,856
1520 · Office Equipment	9,664	11,165	11,165	11,165
1540 · Accumulated Depreciation	(70,275)	(84,922)	(86,612)	(86,612)
Total 1500 · Equipment	24,830	31,374	36,409	36,409
Total Fixed Assets	24,830	31,374	36,409	36,409
Other Assets				
1400 · Other Assets				
1401 · Refundable Deposits	N/A	N/A	N/A	1,000
Total 1400 · Other Assets	N/A	N/A	N/A	1,000
TOTAL ASSETS	907,926	748,325	957,731	1,082,820

Balance Sheet

As of October 2007

	Cash Basis			Accrual Basis
	Sept 30, 06	Sept 30, 07	Oct 31, 07	Oct 31, 07
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
2000 - Accounts Payable				
2005 - Registrations	N/A	N/A	N/A	234,264
2007 - Meet Management Services	N/A	N/A	N/A	13,438
Total 2000 - Accounts Payable	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>247,702</u>
Other Current Liabilities				
2100 - Prepaid Fees				
2105 - Club Credits	-	215	491	491
Total 2100 - Prepaid Fees	<u>-</u>	<u>491</u>	<u>491</u>	<u>491</u>
Total Current Liabilities	<u>-</u>	<u>491</u>	<u>491</u>	<u>248,193</u>
Total Liabilities	<u>-</u>	<u>491</u>	<u>491</u>	<u>248,193</u>
Equity				
3000 - Opening Bal Equity	150,615	150,615	150,615	150,615
3100 - Retained Earnings	493,200	557,060	558,513	558,513
Net Income	262,946	40,434	248,112	125,499
Total Equity	<u>906,761</u>	<u>748,110</u>	<u>957,240</u>	<u>834,627</u>
TOTAL LIABILITIES & EQUITY	<u>906,761</u>	<u>748,601</u>	<u>957,731</u>	<u>1,082,820</u>

Profit & Loss Budget vs. Actual

October 2007

	Cash Basis			Accrual Basis
	Oct '06	Budget 07 - 08	Sept '07	Oct '07
Income				
4100 - Membership Registrations				
4110 - Athletes	346,925	567,525	62,920	390,335
4115 - Outreach Registrations	-	-	-	-
4120 - Non Athletes	1,065	7,920	-	792
4121 - Family	165	1,360	-	255
4122 - Sports Medicine	50	-	-	-
4130 - Coaches	8,385	14,210	-	7,260
4140 - Clubs	2,200	3,700	100	300
4150 - Associate - Clubs	-	100	-	-
4155 - Associate Organization	100	100	-	-
4160 - Athlete Transfer	-	-	-	-
4170 - Seasonal Registrations	-	315	-	-
4180 - Official's Certifications	27	300	-	37
Total 4100 - Membership Registrations	358,917	595,530	63,020	398,979
4200 - PVS Meets				
4210 - Entry Fees	24,700	238,276	365	428
4215 - Deck Entries	180	2,230	-	-
4240 - Time Trial Fees	-	810	-	-
4241 - Equipment Set-Up Fees	680	170	-	425
Total 4200 - PVS Meets	25,560	241,486	365	853
4300 - Other Meets				
4310 - Splash Fees	1,433	54,787	-	3,808
4320 - Sanction Fees	-	1,500	-	100
4330 - Equipment Rental	1,030	8,735	1,265	2,205
4331 - Equipment Set-up Fees	300	5,260	470	620
4340 - Club Fines	-	-	-	-
Total 4300 - Other Meets	2,763	70,282	1,735	6,733
4400 - Zone Teams Fees				
4410 - SC Zones	370	-	-	-
4420 - LC Zones	-	-	-	-
Total 4400 - Zone Teams Fees	370	-	-	-
4500 - Financial Income				
4513 - Int. ROA (M&T)	864	2,450	204	223
4514 - Int. ROA (Wachovia)	841	5,760	-	717
4515 - Int. 11 Mo CD (VCB)	-	5,250	-	-
4516 - Int 6 Mo CD (VCB)	-	5,250	1,286	1,286
4517 - Int. 15 Mo CD (F&T)	-	5,250	-	-
4518 - Int. 24 Mo. CD (Wachovia)	-	-	-	600
4520 - Div (DR)	162	4,200	-	297
4530 - Cap Gains/(Losses) (Realized)	-	-	-	-
4540 - Mkt Adjustment - DR	446	-	-	3,067
Total 4500 - Financial Income	2,312	28,160	1,490	6,190

Profit & Loss Budget vs. Actual

October 2007

	Cash Basis			Accrual Basis
	Oct '06	Budget 07 - 08	Sept '07	Oct '07
4600 - Other Income				
4620 - Contributions	-	200	-	-
4630 - Camp Registrations	-	-	-	-
4635 - Swimposium Fees	-	-	740	5,275
4690 - Miscellaneous Income	-	-	-	-
Total 4600 - Other Income	-	200	740	5,275
Total Income	389,923	935,658	67,349	530,166

Profit & Loss Budget vs. Actual

October 2007

	Cash Basis			Accrual Basis
	Oct '06	Budget 07 - 08	Sept '07	Oct '07
Expense				
5000 · Registrations				
5010 · Athletes	49,750	361,900	-	291,588
5020 · Non Athletes	1,461	26,576	-	12,636
5021 · Family	83	1,360	-	-
5022 · Sports Medicine	-	-	-	-
5025 · Outreach	-	510	-	-
5030 · Clubs	-	2,660	70	140
5040 · Seasonal	-	240	-	-
5055 · Associate Organization	-	70	-	-
Total 5000 · Registrations	51,294	393,316	70	304,364
5100 · PVS Meets Expenses				
5110 · Pool Rentals	21,404	118,667	-	12,317
5120 · Meet Mgmt Services	6,852	78,398	-	10,963
5125 · Championship Meet Support	-	10,000	-	-
5130 · Time Trial Club Share	-	405	-	-
5135 · Deck Entries	170	1,115	-	-
5140 · Hospitality	502	11,516	812	2,687
5150 · Program Reproduction	89	1,000	-	-
5155 · Official's Sign-In Sheet Bonus	-	600	-	40
5160 · Other PVS Meet Exp.	-	1,000	-	600
5170 · Equipment & Supplies	16	200	-	-
5175 · Real Time Meet Results	-	-	-	-
Total 5100 · PVS Meets Expenses	29,031	222,901	812	26,607
5200 · Club Meet Expenses				
5255 · Official's Sign-In Sheet Bonus	-	400	-	-
Total 5200 · Club Meet Expenses	-	400	-	-
5300 · Zone Teams				
5310 · SC Zones	-	25,000	-	-
5320 · LC Zones	1,701	20,000	1,175	1,275
Total 5300 · Zone Teams	1,701	45,000	1,175	1,275
5400 · Camps				
5410 · PVS Camps	-	8,000	-	-
Total 5400 · Camps	-	8,000	-	-

Profit & Loss Budget vs. Actual

October 2007

	Cash Basis			Accrual Basis
	Oct '06	Budget 07 - 08	Sept '07	Oct '07
5500 · Other Program Support				
5520 · PVS CCE Program	-	3,000	-	-
5525 · ASCA Award Travel	-	1,000	-	-
5535 · Swimposium	-	19,000	7,697	19,260
5550 · Officials Support	-	4,000	-	1,010
5551 · Officials's Ed/Travel Assist.	-	3,500	500	500
5552 · Official's Evaluation	-	-	-	-
5570 · Assisted	-	2,500	-	-
5580 · Outreach Program Grants	-	3,750	-	-
5590 · Diversity Program	-	7,000	-	-
5595 · New Year's Eve Parties	-	5,000	-	-
Total 5500 · Other Program Support	-	48,750	8,197	20,771
5600 · Awards, Promo Items				
5610 · Medals & Trophies	-	6,500	-	-
5620 · Promo Items	-	-	-	-
Total 5600 · Awards, Promo Items	-	6,500	-	-
5700 · Travel Assistance				
5711 · SC Nat'l Champs (\$450)	-	6,750	-	-
5720 · Summer Nat'l Champs (\$450)	6,750	7,650	-	3,600
5721 · US Disability Champs (\$450)	-	-	-	-
5722 · Junior National Champs (\$250)	3,250	3,750	-	3,750
5723 · US Paralympic Nat'l Champs	900	900	-	-
5724 · US Paralympic Trials	-	1,200	-	-
5725 · Olympic Trials	-	-	-	-
5726 · US Disability/Paral Open (\$250)	-	500	-	-
5730 · US Open (\$250)	-	-	-	-
5731 · US Disability Open (\$250)	-	-	-	-
5760 · USAS Training Camps	-	-	-	-
Total 5700 · Travel Assistance	10,900	20,750	-	7,350

Profit & Loss Budget vs. Actual

October 2007

	Cash Basis			Accrual Basis
	Oct '06	Budget 07 - 08	Sept '07	Oct '07
5800 - General Administration				
5805 - Contractor Services	14,800	140,000	11,200	25,250
5806 - Eqmt Mgr - PVS Meet Setup Fees	510	170	-	255
5807 - Eqmt Maint. & Repair	335	-	-	-
5808 - Eqmt Mgr - Club Meet Setup Fees	470	4,810	470	470
5813 - Membersdhip Communications	-	10,000	-	-
5815 - Printing/Duplication	-	-	-	-
5820 - Postage/Mail Services	215	700	-	236
5825 - Phones	155	1,100	73	139
5830 - Professional Services	-	12,000	-	-
5835 - WEB Site/Internet Services	76	3,000	-	-
5840 - Office Supplies	312	600	-	226
5850 - Insurance	-	400	-	-
5855 - Banking Fees - M&T	(25)	-	-	10
5856 - Banking Fees - Wachovia	(25)	-	-	1
5860 - Investment Fees - DR	-	450	-	-
5870 - Other Admin. Expenses	-	1,500	-	-
5874 - General Chair Expenses	-	-	133	361
5875 - Registrar's Expenses	387	4,180	256	527
5876 - Administrator's Expenses	101	2,650	-	418
5877 - Exec Dir/Controller Expenses	-	2,000	-	-
5880 - Donations	-	-	-	-
Total 5800 - General Administration	17,311	183,560	12,132	27,891
5900 - Committee Expenses				
5910 - BOD/HOD Meetings	127	1,300	-	195
5925 - Competition Comm Mtg	42	100	-	-
5930 - USAS Convention	10,015	13,000	1,453	8,081
5940 - Review Comm Expenses	-	200	-	-
5945 - Officials Clinics	130	3,000	107	1,257
5950 - Zone Meetings	125	2,000	-	125
5965 - Safety Committee	-	-	-	-
5970 - Other Meetings	-	2,000	1,217	1,217
Total 5900 - Committee Expenses	10,439	21,600	2,777	10,874
6000 - Miscellaneous				
6110 - Miscellaneous	-	1,000	-	-
6130 - Depreciation Expense	2,505	20,518	1,690	3,380
Total 6000 - Miscellaneous	2,505	21,518	1,690	3,380
7000 - Minor Eqmt., Parts & Supplies				
7400 - Expend Eqmt ,Parts & Supp	3,796	8,000	62	2,156
Total 7000 - Minor Eqmt., Parts & Supplies	3,796	8,000	62	2,156
Total Expense	126,977	980,295	26,915	169,917
Budget Surplus / (Deficit)	262,946	(44,637)	40,434	125,499