

SARFINOANDRHOADES, LLP

J Gregory Sarfino CPA
Michael C Rhoades 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@sarfinoandrhoades.com
www.sarfinoandrhoades.com

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, 2005, and have issued our report thereon dated January 5, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. In the current year we converted the financial statements from the cash basis of accounting to the accrual basis of accounting and the impact to the financial statements is described in Note 4. No other accounting policies were adopted and the application of other existing policies was not changed during the year ended August 31, 2005. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. For the significant estimates made by management, we have evaluated the reasonableness of the key factors and assumptions used and determined that the estimates are appropriate in relation to the financial statements.

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process. We had no significant adjustments except as described in Note 4.

Disagreements with Management

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

Difficulties Encountered in Performing the Audit

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

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

Surfino and Rhodes, LLP

January 4, 2006

POTOMAC VALLEY SWIMMING, INC.

AUGUST 31, 2005 AND 2004

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Potomac Valley Swimming, Inc. as of August 31, 2005 and 2004, 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 U.S. generally accepted auditing standards. 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, 2005 and 2004, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



January 5, 2006

POTOMAC VALLEY SWIMMING. INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	2005	2004
ASSETS		
Cash (Notes 1 and 2)	\$ 317,008	\$ 239,992
Investments (Notes 1 and 3)	260,294	247,120
Prepaid expenses and other	12,801	7,195
Equipment, net of accumulated depreciation of \$79,634 and \$69,324 in 2005 and 2004, respectively (Note 1)	20,650	13,467
TOTAL ASSETS	\$ 610,753	\$ 507,774
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued expenses and other liabilities	\$ 21,410	\$ 19,598
NET ASSETS, UNRESTRICTED (Note 1)	589,343	488,176
TOTAL LIABILITIES AND NET ASSETS	\$ 610,753	\$ 507,774

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

POTOMAC VALLEY SWIMMING, INC
STATEMENTS OF ACTIVITES

	FOR THE YEARS ENDED AUGUST 31,	
	2005	2004
REVENUES:		
Membership registration	\$ 524,932	\$ 471,846
Meet fees	307,824	255,780
Investment income (Notes 1 and 3)	18,347	12,556
Contributions	214	740
TOTAL REVENUES	\$ 851,317	\$ 740,922
EXPENSES:		
Programs	\$ 691,476	\$ 591,589
General and administrative	58,674	67,798
TOTAL EXPENSES	\$ 750,150	\$ 659,387
CHANGE IN UNRESTRICTED NET ASSETS	\$ 101,167	\$ 81,535
NET ASSETS, BEGINNING OF YEAR	488,176	403,634
Prior period adjustment (Note 4)	-	3,007
NET ASSETS, END OF YEAR	\$ 589,343	\$ 488,176

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,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	\$ 827,364	\$ 721,171
Cash paid to suppliers and USA Swimming	(738,028)	(623,940)
Interest and dividends received	9,686	6,609
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 99,022	\$ 103,840
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of equipment	\$ (17,493)	\$ (5,199)
Purchases of investments	(4,513)	(3,849)
CASH USED IN INVESTING ACTIVITIES	\$ (22,006)	\$ (9,048)
NET INCREASE IN CASH	\$ 77,016	\$ 94,792
CASH, BEGINNING OF YEAR	239,992	145,200
CASH, END OF YEAR	\$ 317,008	\$ 239,992
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 101,167	\$ 81,535
Reconciliation adjustments:		
Depreciation	10,310	12,842
Net realized and unrealized gains on investments	(8,661)	(5,947)
Changes in assets and liabilities:		
Prepaid expenses and other	(5,606)	(1,338)
Accrued expenses and other liabilities	1,812	16,748
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 99,022	\$ 103,840

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004

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 Presentation - The financial statements of PVS have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred.

Financial Statement Presentation - In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, 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, 2005 and 2004.

Cash and cash equivalents - For purposes of the statement of cash flows, PVS considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Money market accounts held by investment brokers are considered to be investments.

Investments - Investments are stated at fair market value. Investment income consists of interest and dividends received and realized and unrealized gains and losses.

Equipment - Purchased equipment is carried at cost. Depreciation is computed using the straight line method over estimated useful lives 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 taxes - 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 2005 and 2004.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Actual results could differ from those estimates and these differences could have a material impact on the financial statements.

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.

POTOMAC VALLEY SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2005 AND 2004

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. Cash in excess of \$100,000 per institution and money market accounts are generally not covered by the Federal Deposit Insurance Corporation. PVS minimizes the risk by maintaining deposits in high quality financial institutions.

Note 3. **Investments** - The following summarizes investments as of August 31, 2005 and 2004:

	2005	
	<u>Market Value</u>	<u>Cost</u>
Certificates of deposit	\$ 183,400	\$ 183,400
Mutual funds	72,407	59,561
Money market funds	<u>4,487</u>	<u>4,487</u>
Totals	<u>\$ 260,294</u>	<u>\$ 247,448</u>

	2004	
	<u>Market Value</u>	<u>Cost</u>
Certificates of deposit	\$ 180,873	\$ 180,873
Mutual funds	61,664	57,478
Money market funds	<u>4,583</u>	<u>4,583</u>
Totals	<u>\$ 247,120</u>	<u>\$ 242,934</u>

Investment income consisted of the following for the years ended August 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Interest and dividends	\$ 9,686	\$ 6,609
Net realized and unrealized gains	<u>8,661</u>	<u>5,947</u>
Totals	<u>\$ 18,347</u>	<u>\$ 12,556</u>

Note 4. **Prior Period Adjustment** – In order to present the financial statements on an accrual basis of accounting, a prior period adjustment of \$3,007 was recorded in 2004. The prior period adjustment increased prior year expenses by \$3,007

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 under SFAS No 116.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our report on our audits of the basic financial statements of Potomac Valley Swimming, Inc. for 2005 and 2004 appears on page 1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of revenues and expenses are presented for purposes of additional analysis and is 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.



January 5, 2006

POTOMAC VALLEY SWIMMING, INC
SCHEDULES OF REVENUES AND EXPENSES

	FOR THE YEARS ENDED AUGUST 31,	
	2005	2004
REVENUES:		
Membership registration	\$ 524,932	\$ 471,846
PVS meet fees	192,360	180,249
Zone team fees	60,875	16,252
Club meet fees	54,589	59,279
Investment income	18,347	12,556
Contributions	214	740
Totals	\$ 851,317	\$ 740,922
PROGRAMS:		
Registrations	\$ 331,177	\$ 298,810
PVS meets	172,108	172,022
Zone teams and camps	94,393	37,408
Contract services	40,615	26,400
Other program support	23,859	34,702
Equipment parts and supplies	12,600	4,925
Depreciation	10,310	12,842
Registrar	4,439	3,270
Website and internet	1,975	1,210
Totals	\$ 691,476	\$ 591,589
GENERAL AND ADMINISTRATIVE:		
Professional and contract services	33,020	\$ 35,718
Committee	18,274	21,938
Office and other administrative	4,408	4,728
Telephone	1,145	952
Equipment rental	711	2,946
Printing and postage	566	596
Investment and banking fees	550	720
Donations	-	200
Totals	\$ 58,674	\$ 67,798