

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2007 AND 2006

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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, 2007 and 2006, 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, 2007 and 2006, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Sarfino and Rhoades, LLP

January 31, 2008

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
ASSETS	2007	2006
Cash and cash equivalents (Notes 1 and 2):		
Cash in savings and checking accounts	\$ 272,195	\$ 430,591
Certificates of deposit	313,381	107,089
Total cash and cash equivalents	\$ 585,576	\$ 537,680
Investments (Notes 1 and 3)	88,779	79,444
Prepaid expenses and other	14,275	8,220
Equipment, net of accumulated depreciation of \$83,232 and \$67,667 for 2007 and 2006, respectively	33,064	26,691
TOTAL ASSETS	\$ 721,694	\$ 652,035
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued expenses and other liabilities	\$ 4,496	\$ 2,340
NET ASSETS, UNRESTRICTED (Note 1)	717,198	649,695
TOTAL LIABILITIES AND NET ASSETS	\$ 721,694	\$ 652,035

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

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED AUGUST 31,	
	2007	2006
REVENUE:		
Membership registration	\$ 577,255	\$ 540,627
Meet fees	412,379	367,176
Investment income (Notes 1 and 3)	32,753	20,824
Contributions and other revenue	1,156	6,158
TOTAL REVENUES	\$ 1,023,543	\$ 934,785
EXPENSES:		
Program	\$ 887,695	\$ 818,937
General and administrative	68,345	55,496
TOTAL EXPENSES	\$ 956,040	\$ 874,433
INCREASE IN UNRESTRICTED NET ASSETS	\$ 67,503	\$ 60,352
NET ASSETS, BEGINNING OF YEAR	649,695	589,343
NET ASSETS, END OF YEAR	\$ 717,198	\$ 649,695

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,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	\$ 984,735	\$ 918,542
Cash paid to suppliers and USA Swimming	(938,422)	(877,469)
Interest and dividends received	27,964	17,392
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 74,277	\$ 58,465
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (21,835)	\$ (22,075)
Sales of investment	58,595	-
Purchases of investments	(63,141)	(3,605)
CASH USED IN INVESTING ACTIVITIES	\$ (26,381)	\$ (25,680)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 47,896	\$ 32,785
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	537,680	504,895
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 585,576	\$ 537,680
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 67,503	\$ 60,352
Reconciliation adjustments:		
Depreciation	15,462	15,767
Net realized and unrealized gains on investments	(4,789)	(3,432)
Loss on sale of equipment	-	267
Changes in assets and liabilities:		
Prepaid expenses and other	(6,055)	4,581
Accrued expenses and other liabilities	2,156	(19,070)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 74,277	\$ 58,465

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007 AND 2006

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. 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, 2007 and 2006.

Cash and cash equivalents - For purposes of the statement of cash flows, PVS considers certificates of deposit and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments - Investments are stated at fair market value in the statements of financial position. 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 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 2007 and 2006.

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.

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, 2007 AND 2006

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:

	2007	
	Market Value	Cost
Money market	\$ 378	\$ 378
Mutual funds	88,401	79,468
Totals	\$ 88,779	\$ 79,846
	2006	
	Market Value	Cost
Mutual funds	\$ 79,444	\$ 63,146

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

	2007	2006
Interest and dividends	\$ 27,964	\$ 17,392
Net realized and unrealized gains	4,789	3,432
Totals	\$ 32,753	\$ 20,824

Note 4. **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.

Note 5. **Reclassifications** - Certain items in the 2006 audited financial statements have been reclassified to conform with the 2007 financial statement presentation.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our report on our audits of the basic financial statements of Potomac Valley Swimming, Inc. for 2007 and 2006 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 revenue and expenses are presented for the purpose of additional analysis and are 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.

Sarfino and Rhoades, LLP

January 31, 2008

POTOMAC VALLEY SWIMMING, INC.
SCHEDULES OF REVENUE AND EXPENSES

FOR THE YEARS ENDED
AUGUST 31,

	2007	2006
REVENUE:		
Membership registration	\$ 577,255	\$ 540,627
PVS meet fees	235,786	209,008
Zone team fees	109,370	93,985
Club meet fees	67,223	64,183
Investment income	32,753	20,824
Contributions and other revenue	1,156	6,158
Totals	\$ 1,023,543	\$ 934,785
 EXPENSES:		
PROGRAM:		
Registrations	\$ 380,807	\$ 351,033
PVS and club meets	214,019	186,372
Zone teams and camps	150,895	149,382
Contract services	71,111	54,069
Other program support	25,086	30,222
Travel assistance	15,500	22,200
Depreciation	15,462	15,767
Equipment parts and supplies	10,267	4,934
Registrar	3,466	2,937
Website and internet	1,082	2,021
Totals	\$ 887,695	\$ 818,937
 GENERAL AND ADMINISTRATIVE:		
Professional and contract services	\$ 42,058	\$ 34,921
Committee	19,864	14,558
Office and other administrative	4,390	3,258
Telephone	886	1,334
Investment and banking fees	585	833
Printing and postage	562	592
Totals	\$ 68,345	\$ 55,496