

POTOMAC VALLEY SWIMMING, INC.
AUGUST 31, 2017 AND 2016

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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 statements of financial position as of August 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 schedules 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.

A handwritten signature in black ink that reads "Nardino and Rhoades, LLP". The signature is written in a cursive style and is centered within a light gray rectangular box.

November 10, 2017

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	2017	2016
ASSETS		
Cash and cash equivalents (Notes 1 and 2)	\$ 644,214	\$ 660,492
Receivables (Note 1)	17,064	11,524
Investments (Notes 1, 3 and 4)	239,044	215,310
Prepaid expenses and other	8,633	7,022
Equipment, net (Notes 1 and 5)	11,578	8,195
TOTAL ASSETS	\$ 920,533	\$ 902,543
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 113,959	\$ 120,530
NET ASSETS, UNRESTRICTED (Note 1)	806,574	782,013
TOTAL LIABILITIES AND NET ASSETS	\$ 920,533	\$ 902,543

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

POTOMAC VALLEY SWIMMING, INC.

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED AUGUST 31,	
	2017	2016
REVENUE (Note 1):		
Membership registration	\$ 1,092,802	\$ 1,000,411
Less, Amounts transferred to USA Swimming	<u>775,003</u>	<u>707,502</u>
Net membership registration	\$ 317,799	\$ 292,909
Meet fees	722,717	760,199
Investment income (Notes 1 and 3)	25,990	15,705
Miscellaneous income	<u>458</u>	<u>3,731</u>
TOTAL REVENUE	<u>\$ 1,066,964</u>	<u>\$ 1,072,544</u>
EXPENSES:		
Programs:		
Swim meets	\$ 921,696	\$ 988,600
Travel assistance	<u>34,450</u>	<u>33,150</u>
Total program expenses	\$ 956,146	\$ 1,021,750
General and administrative	<u>86,257</u>	<u>84,836</u>
TOTAL EXPENSES	<u>\$ 1,042,403</u>	<u>\$ 1,106,586</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ 24,561	\$ (34,042)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>782,013</u>	<u>816,055</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 806,574</u>	<u>\$ 782,013</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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, clubs and other	\$ 1,035,434	\$ 1,124,903
Cash paid to employees, contractors, suppliers and USA Swimming	(1,045,280)	(1,138,919)
Interest and dividends received	13,008	11,589
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ 3,162	\$ (2,427)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (8,688)	\$ (632)
Sales of investments	1,100	10,840
Purchases of investments	(11,852)	(20,075)
NET CASH USED IN INVESTING ACTIVITIES	\$ (19,440)	\$ (9,867)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (16,278)	\$ (12,294)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	660,492	672,786
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 644,214	\$ 660,492
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ 24,561	\$ (34,042)
Reconciliation adjustments:		
Depreciation	5,305	9,258
Net realized and unrealized gain on investments	(12,982)	(4,116)
Changes in assets and liabilities:		
Decrease (increase) in receivables	(5,540)	68,064
Increase in prepaid expenses and other	(1,611)	(3,077)
Decrease in accounts payable	(6,571)	(38,514)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ 3,162	\$ (2,427)

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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, 2017 and 2016.

Revenue Recognition - Membership registrations are recognized as revenue in the period received. A portion of membership dues collected 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. Receivables are uncollateralized.

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 - Equipment which costs in excess of \$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, 2017 AND 2016

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

Income Tax Status - PVS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's exempt purpose is subject to taxation as unrelated business income. PVS had no unrelated business income for the years ended August 31, 2017 and 2016.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Management believes that the estimates and assumptions are reasonable in the circumstances; however, 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, 2017, PVS held cash in excess of FDIC limits of \$442,035.

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

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Money market fund	\$ 79	\$ 79	\$ 543	\$ 543
Mutual funds:				
Equity	106,335	86,635	89,757	78,214
Fixed income	63,447	67,590	61,377	64,223
Mixed asset	69,183	65,340	63,633	63,039
Totals	<u>\$ 239,044</u>	<u>\$ 219,644</u>	<u>\$ 215,310</u>	<u>\$ 206,019</u>

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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

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

	2017	2016
Interest and dividends	\$ 13,008	\$ 11,589
Net realized and unrealized gains on investments	12,982	4,116
Totals	\$ 25,990	\$ 15,705

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 Organization 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 fair values of the underlying assets.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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

Mutual funds - The fair value of mutual funds is 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:

	<u>2017</u>	<u>2016</u>
	<u>Level 1</u>	<u>Level 1</u>
Money market fund	\$ 79	\$ 543
Mutual funds:		
Equity	106,335	89,757
Mixed asset	69,183	63,633
Fixed income	63,447	61,377
Totals	<u>\$ 239,044</u>	<u>\$ 215,310</u>

Note 5. **Property and Equipment** - Property and equipment consisted of the following as of August 31:

	<u>2017</u>	<u>2016</u>
Meet Equipment	\$ 121,119	\$ 112,431
Office Equipment	<u>2,744</u>	<u>2,744</u>
Subtotals	\$ 123,863	\$ 115,175
Less, Accumulated depreciation	<u>112,285</u>	<u>106,980</u>
Totals	<u>\$ 11,578</u>	<u>\$ 8,195</u>

Depreciation expense for the years ended August 31, 2017 and 2016 was \$5,305 and \$9,258, respectively.

Note 6. **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 Accounting Standards Codification.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

- Note 7. **Related Party Transactions** - PVS pays member clubs meet management fees for hosting PVS sponsored meets. In many cases, member clubs' management may also occupy positions on PVS's Board of Directors or serve 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. PVS also awards member clubs travel reimbursements for athlete travel to meets where the athlete represents PVS. No single individual or club has the ability to unilaterally award a meet or approve travel reimbursements. For the years ended August 31, 2017 and 2016, fees paid to related clubs totaled \$159,229 and \$150,656, respectively.
- Note 8. **Subsequent Events** - In preparation of these financial statements, PVS has evaluated events and transactions for potential recognition or disclosure through November 10, 2017, which is the date the financial statements were available to be issued.

POTOMAC VALLEY SWIMMING, INC.
SCHEDULES OF REVENUES AND EXPENSES

	FOR THE YEARS ENDED AUGUST 31,	
	2017	2016
REVENUE:		
Membership registration	\$ 1,092,802	\$ 1,000,411
Less, Amounts transferred to USA Swimming	<u>775,003</u>	<u>707,502</u>
Net membership registration	\$ 317,799	\$ 292,909
PVS meet fees	417,828	423,438
Zone team fees	166,046	204,885
Club meet fees	138,843	131,876
Investment income	25,990	15,705
Miscellaneous income	458	3,731
Totals	<u>\$ 1,066,964</u>	<u>\$ 1,072,544</u>
EXPENSES:		
PROGRAMS:		
PVS and club meets	\$ 455,769	\$ 470,014
LC and SC Zone teams and camps	239,725	322,362
Compensation and contract services	117,110	118,545
Officials' support	37,985	24,660
Travel assistance	34,450	33,150
Other program support	29,862	9,010
Meetings and conferences	17,353	17,675
Equipment parts and supplies	10,228	9,073
Payroll taxes	7,933	7,816
Depreciation	5,094	9,100
Website and internet	637	345
Totals	<u>\$ 956,146</u>	<u>\$ 1,021,750</u>
GENERAL AND ADMINISTRATIVE:		
Compensation	\$ 48,674	\$ 47,757
Meetings and conferences	14,683	11,934
Professional services	9,530	11,200
Office and other administrative	6,835	7,991
Payroll taxes	3,721	3,650
Investment and banking fees	2,603	2,146
Depreciation	211	158
Totals	<u>\$ 86,257</u>	<u>\$ 84,836</u>

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