



Certified Public Accountants

January 7, 2021

To the Board of Directors
Potomac Valley Swimming, Inc
PO Box 3729
McLean, VA 22103

We have audited the financial statements of Potomac Valley Swimming, Inc. (the Organization) for the year ended August 31, 2020, and have issued our report thereon dated January 7, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter to you dated October 6, 2020. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Potomac Valley Swimming, Inc. are described in Note 2 to the financial statements. As described in Note 2, the Organization changed accounting policies related to revenue recognition by adopting FASB Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* in 2019. Accordingly, the accounting changes under ASU 2018-08 have been applied with the modified prospective approach. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Functional expense allocation

Management's estimate of the allocation of expenses by function is based on management's estimates of the use of resources and service efforts during the year. Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and allocation by management. We evaluated the key factors and assumptions used to develop the statement of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No adjustments were made.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 7, 2021.

Management Consultations with Other Independent Accountants

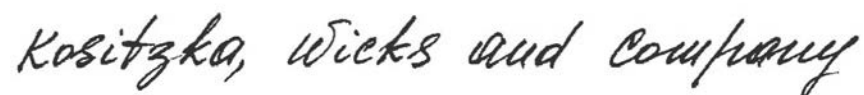
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the Board of Directors and management of Potomac Valley Swimming, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Kositzka, Wicks and Company".

Kositzka, Wicks and Company
Certified Public Accountants

POTOMAC VALLEY SWIMMING, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Potomac Valley Swimming, Inc.

We have audited the accompanying financial statements of the **Potomac Valley Swimming, Inc.** (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Potomac Valley Swimming, Inc.** as of August 31, 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2019 financial statements were reviewed by us, and our report thereon, dated January 22, 2020 stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Kositzka, Wicks and Company

Alexandria, Virginia
January 7, 2021

Potomac Valley Swimming, Inc.

Statements of Financial Position August 31,

(Audited)
2020

(Reviewed)
2019

Assets

Current assets

Cash and cash equivalents	\$ 595,074	\$ 619,858
Accounts receivable	2,364	33,498
Investments	384,465	259,735
Prepaid expenses	9,671	4,992
Security deposit	1,000	-
	<u>992,574</u>	<u>918,083</u>

Property and equipment, net

Total assets

729	4,017
<u>\$ 993,303</u>	<u>\$ 922,100</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 10,077	\$ 14,977
Deferred registration revenue	11,404	-
SBA Paycheck Protection Program loan	21,305	-
Total liabilities	<u>42,786</u>	<u>14,977</u>

Net assets

Without donor restrictions	950,517	907,123
Total liabilities and net assets	<u>\$ 993,303</u>	<u>\$ 922,100</u>

See accompanying notes and independent auditor's report.

Potomac Valley Swimming, Inc.

Statements of Activities for the years ended August 31,

(Audited)
2020

(Reviewed)
2019

	Without donor restrictions and total	Without donor restrictions and total
Revenue		
Membership registration	\$ 1,113,135	\$ 1,115,468
Less, amounts refunded due to COVID-19	(164,338)	-
Less, amounts transferred to USA Swimming	(797,364)	(795,180)
Net membership revenue	151,433	320,288
Advertising income	-	1,500
Camp fees	-	31,039
In-kind contributions	4,600	-
Investment income, net	51,869	4,490
Meet fees	392,309	704,305
Miscellaneous income	7,025	8,488
Royalties	-	300
Total revenue	607,236	1,070,410
Expenses		
Program services		
Meets and programs	388,654	781,562
Officials	19,972	53,674
Membership registration	38,335	39,025
	446,961	874,261
Operations	116,881	121,511
Total expenses	563,842	995,772
Change in net assets	43,394	74,638
Net assets, beginning of year	907,123	832,485
Net assets, end of year	\$ 950,517	\$ 907,123

See accompanying notes and independent auditor's report.

Potomac Valley Swimming, Inc.

Statement of Functional Expenses for the year ended August 31, 2020 (Audited)

	Meets and programs	Officials	Membership registration	Total programs	Operations	Total
Activities and hospitality	\$ 25,266	\$ -	\$ -	\$ 25,266	\$ -	\$ 25,266
Advertising	-	-	-	-	300	300
Apparel and supplies	-	5,498	-	5,498	-	5,498
Background checks	-	1,055	-	1,055	-	1,055
Bad debt expense	-	-	-	-	344	344
Bank charges	-	-	-	-	2,999	2,999
Clinics	-	255	-	255	-	255
Computer expenses	-	-	-	-	3,237	3,237
Depreciation	3,288	-	-	3,288	-	3,288
Diversity and inclusion camp	2,500	-	-	2,500	-	2,500
Equipment rental and repairs	25,439	-	-	25,439	-	25,439
Meet management fees	65,059	-	-	65,059	-	65,059
Meetings and conferences	24,106	-	-	24,106	-	24,106
Office expenses	-	-	-	-	2,293	2,293
Payroll taxes	-	-	2,371	2,371	6,790	9,161
Relief grants awarded	26,000	-	-	26,000	-	26,000
Pool and other rentals	170,517	-	-	170,517	-	170,517
Professional fees	14,979	-	124	15,103	17,000	32,103
Salaries	-	-	35,840	35,840	83,918	119,758
Travel	31,500	13,164	-	44,664	-	44,664
Total functional expenses	\$ 388,654	\$ 19,972	\$ 38,335	\$ 446,961	\$ 116,881	\$ 563,842

See accompanying notes and independent auditor's report.

Potomac Valley Swimming, Inc.

Statement of Functional Expenses for the year ended August 31, 2019 (Reviewed)

	Meets and programs	Officials	Membership registration	Total programs	Operations	Total
Activities and hospitality	\$ 48,257	\$ -	\$ -	\$ 48,257	\$ -	\$ 48,257
Advertising	-	-	-	-	425	425
Apparel and supplies	21,732	4,493	-	26,225	-	26,225
Background checks	-	3,838	-	3,838	-	3,838
Bank charges	3,592	-	-	3,592	1,845	5,437
Clinics	-	1,886	-	1,886	-	1,886
Computer expenses	-	-	-	-	7,201	7,201
Depreciation	4,042	-	-	4,042	-	4,042
Diversity and inclusion camp	35,631	-	-	35,631	-	35,631
Equipment rental and repairs	17,885	-	-	17,885	-	17,885
Meet management fees	102,260	-	-	102,260	-	102,260
Meetings and conferences	34,433	-	-	34,433	-	34,433
Office expenses	-	-	236	236	2,032	2,268
Payroll taxes	-	-	2,949	2,949	3,772	6,721
Pool and other rentals	429,046	-	-	429,046	-	429,046
Professional fees	26,008	3,955	-	29,963	54,216	84,179
Salaries	-	-	35,840	35,840	52,020	87,860
Travel	58,676	39,502	-	98,178	-	98,178
Total functional expenses	\$ 781,562	\$ 53,674	\$ 39,025	\$ 874,261	\$ 121,511	\$ 995,772

See accompanying notes and independent auditor's report.

Potomac Valley Swimming, Inc.

Statements of Cash Flows for the years ended August 31,

(Audited)
2020

(Reviewed)
2019

Cash flows from operating activities

Change in net assets	\$ 43,394	\$ 74,638
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,288	4,042
Realized and unrealized (gain) loss on investments	(46,142)	2,425
(Increase) Decrease in operating assets		
Accounts receivable	31,134	(6,980)
Prepaid expense	(4,679)	(1,353)
Security deposit	(1,000)	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(4,900)	(85,938)
Deferred registration revenue	11,404	-
Net cash provided by (used in) operating activities	32,499	(13,166)

Cash flows from investing activities

Purchase of investments and reinvestment of dividends	(78,588)	(4,474)
Net cash used in investing activities	(78,588)	(4,474)

Cash flows from financing activities

Proceeds from SBA Paycheck Protection Program loan	21,305	-
Net cash provided from financing activities	21,305	-

Net change in cash and cash equivalents

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

(24,784)	(17,640)
619,858	637,498
\$ 595,074	\$ 619,858

Supplemental disclosure of cash flow information

Cash paid for interest	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See accompanying notes and independent auditor's report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2020 and 2019

1. 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.

PVS programs include conducting meets and other swim activities; training officials, coaches and other volunteers on the rules and regulations of USA swimming. Revenue is generated from membership registrations, meets and other swimming activities.

2. Significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At August 31, 2020 and 2019, PVS had no net assets with donor restrictions.

Cash and cash equivalents

For purposes of the statements of cash flows, PVS considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. FDIC insurance is \$250,000 per depositor, per insured bank. At August 31, 2020 and 2019, cash exceeded the FDIC limit by \$355,323 and \$382,747, respectively.

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. Based on history, management has concluded that realization losses will be immaterial. Bad debt expense for the year ended August 31, 2020 was \$344. Receivables are uncollateralized.

Investments

Investments are composed of a money market fund and 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. Investment expenses, realized and unrealized gains and losses are included with investment income in the statement of activities.

See independent auditor's report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2020 and 2019

Property and equipment

Equipment which costs in excess of \$2,500 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 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, 2020 and 2019.

The material jurisdictions subject to potential examination by taxing authorities are the United States, Maryland and Virginia. The Board does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the PVS's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2017 through 2020.

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.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, accounts receivable and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses and deferred registration revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

Revenue recognition

Membership registrations are recognized as revenue in the period received, unless specifically paid in advance of the next fiscal year. The membership registrations are not prorated for partial periods. Advance payments are considered deferred and recognized when the next fiscal year begins. A portion of membership dues collected are payable to USA Swimming (USAS) and are remitted to USAS on a regular basis.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include salaries and payroll taxes.

Recently adopted accounting pronouncements

The FASB issued ASU 2018-08, which provides a new framework for determining whether a transaction should be accounted for as a contribution or an exchange. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the standard on its effective date, which was September 1, 2019, with no effect on beginning net assets.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2020 and 2019

New accounting pronouncements

The FASB has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. PVS is in the process of evaluating this standard.

3. Investments and fair value measurements

PVS reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the liability, including assumptions about risk. Inputs are classified into a three-tier hierarchy as follows: Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

PVS investment assets are classified within Level 1 because they are comprised of equities and open-end mutual funds with readily determinable fair values based on daily redemption values.

Investments, at fair value, consisted of the following at August 31:

	Level 1 and total 2020	Level 1 and total 2019
Money market funds	\$ 708	\$ 1,677
Mutual funds		
US equity	125,551	92,657
International equity	39,454	25,233
Fixed income	185,929	65,249
Mixed asset	32,824	74,919
Total Level 1 assets	<u>\$ 384,465</u>	<u>\$ 259,735</u>

4. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following assets at August 31:

	2020	2019
Cash and cash equivalents	\$ 595,074	\$ 619,858
Accounts receivable	2,364	33,498
Investments	384,465	259,735
	<u>\$ 981,903</u>	<u>\$ 913,091</u>

See independent auditor's report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2020 and 2019

5. Property and equipment

Property and equipment consisted of the following at August 31:

	2020	2019	Useful life
Property and equipment, cost	\$ 104,359	\$ 104,359	3 years
Less accumulated depreciation	(103,630)	(100,342)	
	<u>\$ 729</u>	<u>\$ 4,017</u>	

Depreciation for the years ended August 31, 2020 and 2019 was \$3,288 and \$4,042, respectively.

6. 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 assistance 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 assistance. For the years ended August 31, 2020 and 2019, fees paid to related clubs totaled \$92,503 and \$59,380, respectively.

7. In-kind contributions

PVS receives a significant amount of donated services from unpaid volunteers. These services are not included in the statement of activities because they do not meet the criteria for recognition as required by the donated services topic of the Accounting Standards Codification. Over 600 individuals volunteer their time during the year.

For the year ended August 31, 2020, PVS received \$4,600 of small meet equipment. The individual items were less than the capitalization threshold and therefore were recorded as in-kind income and equipment expense.

8. Commitments

CARES Act SBA Paycheck Protection Program loan

PVS obtained a \$21,305 CARES Act SBA Paycheck Protection Program loan in May 2020 as a result of the COVID-19 pandemic. PVS intends to comply with the loan requirements so that the loan is fully forgiven. As of the date that the financial statements were available to be issued, PVS had not yet received the application to submit the forgiveness request.

Storage lease

On June 1, 2020, PVS entered into a one year agreement to lease space to store documents, records and equipment used in swim meets. The lease required a \$1,000 security deposit and may be terminated with a written notice of termination 180 days prior. Monthly rent is \$1,000. Prior to this lease, documents, records and equipment were stored in a different location for \$400 a month. Total storage rental expenses were \$6,994 and \$4,800 for the years ended August 31, 2020 and 2019, respectively, and is included in equipment rental and repairs expense on the statement of functional expenses. Future minimum payments will be \$9,000 for the year ending August 31, 2021.

See independent auditor's report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2020 and 2019

9. Relief grants awarded and registrations refunded

Due to the outbreak of COVID-19, PVS refunded a portion of PVS' membership registration fees to each club. In addition to the registration refunds, relief grants were awarded to 26 clubs who submitted applications for PVS grants. Each application was independently reviewed and validated for eligibility by the PVS Grant Committee and confirmation of eligibility was determined by majority vote. The Committee submitted recommendations of recipients to the PVS Board of Directors for its consideration and the PVS Board made final grant awards in a formal "virtual" meeting (due to government restrictions on in-person).

10. Subsequent events

Potomac Valley Swimming, Inc. assessed events occurring subsequent to August 31, 2020 through January 7, 2021, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.