

POTOMAC VALLEY SWIMMING, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020



Certified Public Accountants

Table of Contents

Independent Accountant's Review Report

Financial Statements

Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13



Certified Public Accountants

Independent Accountant's Review Report

To the Board of Directors
Potomac Valley Swimming, Inc.

We have reviewed the accompanying financial statements of **Potomac Valley Swimming, Inc.** (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 entity 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.

Accountant's 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.

Accountant's 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.

Report on 2020 Financial Statements

The August 31, 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated January 7, 2021. We have not performed any auditing procedures since that date.

Kositzka, Wicks and Company

Alexandria, Virginia
January 13, 2022

Potomac Valley Swimming, Inc.

Statements of Financial Position August 31,

(Reviewed)
2021

(Audited)
2020

Assets

Current assets

Cash and cash equivalents	\$ 476,379	\$ 595,074
Accounts receivable	42,009	2,364
Investments	442,668	384,465
Prepaid expenses	125	9,671
Security deposit	1,000	1,000
	<u>962,181</u>	<u>991,574</u>

Property and equipment, net

Total assets	\$ <u>962,181</u>	\$ <u>992,303</u>
--------------	-------------------	-------------------

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 24,904	\$ 10,077
Deferred registration revenue	27,777	11,404
SBA Paycheck Protection Program loan	27,050	21,305
Total liabilities	<u>79,731</u>	<u>31,382</u>

Net assets

Without donor restrictions	882,450	950,517
Total liabilities and net assets	<u>\$ 962,181</u>	<u>\$ 981,899</u>

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statements of Activities for the years ended August 31,

(Reviewed)
2021

(Audited)
2020

	Without donor restrictions and total	Without donor restrictions and total
Revenue		
Membership registration	\$ 750,891	\$ 1,113,135
Less, amounts refunded due to COVID-19	(107,296)	(164,338)
Less, amounts transferred to USA Swimming	(571,054)	(797,364)
Net membership revenue	<u>72,541</u>	<u>151,433</u>
In-kind contributions	-	4,600
Investment income, net	61,113	51,869
Meet fees	273,559	392,309
SBA Paycheck Protection Program forgiveness	21,305	-
Miscellaneous income	9,100	7,025
Total revenue	<u>437,618</u>	<u>607,236</u>
Expenses		
Program services		
Meets and programs	321,577	388,654
Officials	22,658	19,972
Membership registration	39,971	38,335
	<u>384,206</u>	<u>446,961</u>
Operations	121,479	116,881
Total expenses	<u>505,685</u>	<u>563,842</u>
Change in net assets	(68,067)	43,394
Net assets, beginning of year	950,517	907,123
Net assets, end of year	<u>\$ 882,450</u>	<u>\$ 950,517</u>

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statement of Functional Expenses for the year ended August 31, 2021 (Reviewed)

	Meets and programs	Officials	Membership registration	Total programs	Operations	Total
Activities and hospitality	\$ 13,159	\$ -	\$ -	\$ 13,159	\$ -	\$ 13,159
Advertising	-	-	-	-	175	175
Apparel and supplies	-	995	-	995	-	995
Background checks	-	1,583	-	1,583	-	1,583
Bank charges	-	-	-	-	4,269	4,269
Computer expenses	-	-	-	-	3,242	3,242
Depreciation	729	-	-	729	-	729
Diversity and inclusion camp	7,300	-	-	7,300	-	7,300
Equipment rental and repairs	13,432	-	-	13,432	-	13,432
Meet management fees	19,622	-	-	19,622	-	19,622
Office expenses	-	-	-	-	1,932	1,932
Payroll taxes	-	-	4,131	4,131	5,802	9,933
Relief grants awarded	18,000	-	-	18,000	-	18,000
Pool and other rentals	183,298	-	-	183,298	-	183,298
Professional fees	14,754	-	-	14,754	12,059	26,813
Salaries	-	-	35,840	35,840	94,000	129,840
Travel	51,283	20,080	-	71,363	-	71,363
Total functional expenses	\$ 321,577	\$ 22,658	\$ 39,971	\$ 384,206	\$ 121,479	\$ 505,685

See accompanying notes and independent accountant's review 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 accountant's review report.

Potomac Valley Swimming, Inc.

Statements of Cash Flows for the years ended August 31,	(Reviewed) 2021	(Audited) 2020
Cash flows from operating activities		
Change in net assets	\$ (68,067)	\$ 43,394
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	729	3,288
Realized and unrealized (gain) loss on investments	(57,425)	(46,142)
SBA Paycheck Protection Program forgiveness	(21,305)	-
(Increase) Decrease in operating assets		
Accounts receivable	(39,645)	31,134
Prepaid expense	9,546	(4,679)
Security deposit	-	(1,000)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	14,827	(4,900)
Deferred registration revenue	16,373	11,404
Net cash provided by (used in) operating activities	<u>(144,967)</u>	<u>32,499</u>
Cash flows from investing activities		
Purchase of investments and reinvestment of dividends	<u>(778)</u>	<u>(78,588)</u>
Net cash used in investing activities	<u>(778)</u>	<u>(78,588)</u>
Cash flows from financing activities		
Proceeds from SBA Paycheck Protection Program loan	<u>27,050</u>	<u>21,305</u>
Net cash provided from financing activities	<u>27,050</u>	<u>21,305</u>
Net change in cash and cash equivalents	(118,695)	(24,784)
Cash and cash equivalents, beginning of year	595,074	619,858
Cash and cash equivalents, end of year	<u>\$ 476,379</u>	<u>\$ 595,074</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, cash exceeded the FDIC limit by \$241,908 and \$355,323, 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. There was no bad debt expense for the year ended August 31, 2021 and 2020. 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 accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2021 and 2020

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, 2021 and 2020.

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 2018 through 2021.

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 typically received at the beginning of the fiscal year and allow members to actively participate in meets and receive insurance coverage from September 1 through December 31 of the following fiscal year. Due to the ongoing benefits received, the revenue is recognized ratably over the membership period. The membership registrations are not prorated for partial periods, the full registration amount is paid and allows access for the remainder of the sixteen month period. A portion of membership dues collected are payable to USA Swimming (USAS) and are remitted to USAS on a regular basis.

Meet fees are recognized at a point in time, when the meet takes place.

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 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 adopted this standard for the year ended August 31, 2021.

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2021 and 2020

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 2021	Level 1 and total 2020
Money market funds	\$ 635	\$ 708
Mutual funds		
US equity	198,500	125,551
International equity	49,827	39,454
Fixed income	193,706	185,929
Mixed asset	-	32,824
Total Level 1 assets	<u>\$ 442,668</u>	<u>\$ 384,465</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:

	2021	2020
Cash and cash equivalents	\$ 476,379	\$ 595,074
Accounts receivable	42,009	2,364
Investments	442,668	384,465
	<u>\$ 961,056</u>	<u>\$ 981,903</u>

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2021 and 2020

5. Property and equipment

Property and equipment consisted of the following at August 31:

	<u>2021</u>	<u>2020</u>	<u>Useful life</u>
Property and equipment, cost	\$ 82,076	\$ 104,359	3 years
Less accumulated depreciation	<u>(82,076)</u>	<u>(103,630)</u>	
	<u>\$ -</u>	<u>\$ 729</u>	

Depreciation for the years ended August 31, 2021 and 2020 was \$729 and \$3,288, 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, 2021 and 2020, fees paid to related clubs totaled \$111,636 and \$92,503, 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. There were no in-kind contributions for the year ended August 31, 2021.

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. The loan was fully forgiven on April 1, 2021. PVS obtained a \$27,050 Second Draw Paycheck Protection Program loan on February 9, 2021. PVS complied with the loan requirements, and the Second Draw Payment Protection Program loan was fully forgiven subsequent to year-end. This will be reflected in the financial statements for the year ended August 31, 2022.

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 dictated payments of \$1,000 per month, required a \$1,000 security deposit and may be terminated with a written notice of termination 180 days prior. The lease was extended for an additional year on June 1, 2021, at the rate of \$1,050 per month. Total storage rental expenses were \$12,150 and \$6,994 for the years ended August 31, 2021 and 2020, respectively, and is included in equipment rental and repairs expense on the statement of functional expenses.

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2021 and 2020

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 18 and 26 clubs who submitted applications for PVS grants in the years ended August 31, 2021 and 2020, respectively. 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, 2021 through January 13, 2022, 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.