

**POTOMAC VALLEY SWIMMING, INC.**  
**AUGUST 31, 2003**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of Potomac Valley Swimming, Inc. as of August 31, 2003, and the related statement of revenues, expenses and changes in net assets - modified cash basis for the year 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 audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - modified cash basis of Potomac Valley Swimming, Inc. as of August 31, 2003, and the revenues, expenses and changes in net assets - modified cash basis for the year then ended, on the basis of accounting described in Note 1.

*Sarfino and Rhoades, LLP*

November 24, 2003

**POTOMAC VALLEY SWIMMING, INC.**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS –**  
**MODIFIED CASH BASIS**  
**AUGUST 31, 2003**

**ASSETS:**

Cash and cash equivalents (Note 2)	\$ 145,200
Investments (Notes 1 and 3)	237,324
Equipment, net of accumulated depreciation of \$56,482 (Note 1)	<u>21,110</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 403,634</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES:</b>	\$ --
Commitment (Note 4)	
<b>NET ASSETS, UNRESTRICTED</b>	<u>403,634</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 403,634</u></b>

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

**POTOMAC VALLEY SWIMMING, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED AUGUST 31, 2003**

**REVENUES:**

Membership registration	\$ 366,581	
Meet fees	258,999	
Investment income (Notes 1 and 3)	9,729	
Contributions	<u>201</u>	
<b>TOTAL REVENUE</b>		<b>\$ 635,510</b>

**EXPENSES:**

Programs	\$ 505,543	
General and administrative	<u>31,589</u>	
<b>TOTAL EXPENSES</b>		<b><u>537,132</u></b>

**INCREASE IN UNRESTRICTED NET ASSETS** **\$ 98,378**

**NET ASSETS, BEGINNING OF YEAR** **305,256**

**NET ASSETS, END OF YEAR** **\$ 403,634**

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

**POTOMAC VALLEY SWIMMING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2003**

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. The Organization's geographic area of operation includes parts of Maryland, Virginia, and the District of Columbia.

**Basis of Accounting** - PVS maintains its financial records, and the accompanying financial statements are prepared, on a modified cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned; certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred, and receivables and certain other assets, as well as accounts payable and certain other liabilities, are not reflected in the financial statements. Accordingly, the statements are not intended to present the financial position or results of operations of PVS in conformity with U.S. generally accepted accounting principles.

**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, 2003.

**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 2003.

**POTOMAC VALLEY SWIMMING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2003**

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

**Use of estimates** - The preparation of financial statements on the modified cash basis 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.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses and Changes In Net Assets - Modified Cash Basis.

Note 2. **Concentration of Credit Risk** - Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash deposits with a commercial bank. PVS minimizes the risk by maintaining deposits in a high quality financial institution.

Note 3. **Investments** - The following summarizes investments as of August 31, 2003:

	<u>Market Value</u>	<u>Cost</u>
Certificates of Deposit	\$ 178,252	\$ 178,252
Mutual Funds	54,621	56,124
Money Market	<u>4,451</u>	<u>4,451</u>
Total	<u>\$ 237,324</u>	<u>\$ 238,827</u>

Investment income consisted of the following for the year ended August 31, 2003:

Interest and dividends	\$ 4,640
Net realized and unrealized gains	<u>5,089</u>
Total	<u>\$ 9,729</u>

Note 4. **Commitment** - On October 6, 1999, PVS entered into a five-year operating lease agreement for a copier. Future minimum lease payments for year ending August 31, 2004 are \$2,652. Rental expense for equipment was \$2,620.

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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our report on our audit of the basic financial statements of Potomac Valley Swimming, Inc. for 2003 appears on page 1. We conducted our audit 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 schedule of program revenue and expenses --modified cash basis is 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.

*Sarfino and Rhoades, LLP*

November 24, 2003



**POTOMAC VALLEY SWIMMING, INC.**  
**SCHEDULE OF REVENUES AND EXPENSES – MODIFIED CASH BASIS**  
**AUGUST 31, 2003**

**REVENUES:**

Membership registration	\$ 366,581
PVS meet fees	159,708
Club meet fees	58,841
Zone team fees	40,450
Investment income	9,729
Contributions	<u>201</u>
Total	<u>\$ 635,510</u>

**PROGRAMS:**

Registrations	\$ 189,620
PVS meets	167,186
Zone teams	70,099
Other program support	27,760
Contract services	25,090
Equipment parts and supplies	12,583
Depreciation	12,105
Registrar	<u>1,100</u>
Total	<u>\$ 505,543</u>

**GENERAL AND ADMINISTRATIVE:**

Committee	\$ 15,568
Office and other administrative	4,312
Printing and postage	3,232
Telephone	2,652
Equipment rental	2,620
Website and internet	1,430
Investment and banking fees	1,275
Donations	<u>500</u>
Total	<u>\$ 31,589</u>