

POTOMAC VALLEY SWIMMING, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022



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, 2023, 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 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.

We are required to be independent of **Potomac Valley Swimming, Inc.** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 2022 Financial Statements

The 2022 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated January 4, 2023. We have not performed any auditing procedures since that date.

Kositzka, Wicks and Company

Alexandria, Virginia
January 5, 2024

Potomac Valley Swimming, Inc.

Statements of Financial Position August 31,

(Reviewed)
2023

(Audited)
2022

Assets

Current assets

Cash and cash equivalents	\$ 827,717	\$ 732,091
Accounts receivable	11,295	13,899
Investments	392,756	373,410
Prepaid expenses	35	-
Security deposit	1,000	1,000
Total assets	<u>\$ 1,232,803</u>	<u>\$ 1,120,400</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 17,100	\$ 67,337
Deferred registration revenue	94,601	90,444
Total liabilities	<u>111,701</u>	<u>157,781</u>

Net assets

Without donor restrictions	1,121,102	962,619
Total liabilities and net assets	<u>\$ 1,232,803</u>	<u>\$ 1,120,400</u>

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statements of Activities for the years ended August 31,

(Reviewed)
2023

(Audited)
2022

	Without donor restrictions and total	Without donor restrictions and total
Revenue		
Membership registration	\$ 334,321	\$ 1,086,482
Less, amounts transferred to USA Swimming	(26,516)	(837,555)
Net membership revenue	<u>307,805</u>	<u>248,927</u>
Investment income (loss), net	20,220	(69,188)
Meet fees	815,257	591,137
SBA Paycheck Protection Program forgiveness	-	27,050
Miscellaneous income	3,593	4,946
Total revenue	<u>1,146,875</u>	<u>802,872</u>
Expenses		
Program services		
Meets and programs	737,749	531,968
Officials	37,529	29,077
Membership registration	62,437	39,299
	<u>837,715</u>	<u>600,344</u>
Operations	150,677	122,359
Total expenses	<u>988,392</u>	<u>722,703</u>
Change in net assets	158,483	80,169
Net assets, beginning of year	<u>962,619</u>	<u>882,450</u>
Net assets, end of year	<u>\$ 1,121,102</u>	<u>\$ 962,619</u>

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statement of Functional Expenses for the year ended August 31, 2023 (Reviewed)

	<u>Meets and programs</u>	<u>Officials</u>	<u>Membership registration</u>	<u>Total programs</u>	<u>Operations</u>	<u>Total</u>
Expenses						
Activities and hospitality	\$ 44,138	\$ -	\$ -	\$ 44,138	\$ -	\$ 44,138
Advertising	-	-	-	-	450	450
Apparel and supplies	-	4,482	-	4,482	-	4,482
Background checks	-	1,569	-	1,569	-	1,569
Bad debt expense	-	-	-	-	600	600
Bank charges	-	-	-	-	4,439	4,439
Computer expenses	-	-	-	-	4,498	4,498
Equipment rental and repairs	20,165	-	-	20,165	-	20,165
Meet management fees	84,578	-	-	84,578	-	84,578
Meetings and conferences	-	-	-	-	21,068	21,068
Office expenses	-	-	-	-	1,225	1,225
Payroll taxes	-	-	4,437	4,437	7,497	11,934
Pool and other rentals	521,666	-	-	521,666	-	521,666
Professional fees	23,802	-	-	23,802	12,900	36,702
Salaries	-	-	58,000	58,000	98,000	156,000
Travel	43,400	31,478	-	74,878	-	74,878
Total functional expenses	<u>\$ 737,749</u>	<u>\$ 37,529</u>	<u>\$ 62,437</u>	<u>\$ 837,715</u>	<u>\$ 150,677</u>	<u>\$ 988,392</u>

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statement of Functional Expenses for the year ended August 31, 2022 (Audited)

	Meets and programs	Officials	Membership registration	Total programs	Operations	Total
Expenses						
Activities and hospitality	\$ 36,202	\$ -	\$ -	\$ 36,202	\$ -	\$ 36,202
Advertising	-	-	-	-	425	425
Apparel and supplies	-	4,352	-	4,352	-	4,352
Background checks	-	1,520	-	1,520	-	1,520
Bank charges	-	-	-	-	1,844	1,844
Computer expenses	-	-	-	-	3,368	3,368
Equipment rental and repairs	22,152	-	-	22,152	-	22,152
Meet management fees	70,319	-	-	70,319	-	70,319
Meetings and conferences	-	-	-	-	7,397	7,397
Office expenses	-	-	-	-	902	902
Payroll taxes	-	-	2,793	2,793	7,202	9,995
Pool and other rentals	338,867	-	-	338,867	-	338,867
Professional fees	30,828	-	-	30,828	7,221	38,049
Salaries	-	-	36,506	36,506	94,000	130,506
Travel	33,600	23,205	-	56,805	-	56,805
Total functional expenses	\$ 531,968	\$ 29,077	\$ 39,299	\$ 600,344	\$ 122,359	\$ 722,703

See accompanying notes and independent accountant's review report.

Potomac Valley Swimming, Inc.

Statements of Cash Flows for the years ended August 31,	(Reviewed) 2023	(Audited) 2022
Cash flows from operating activities		
Change in net assets	\$ 158,483	\$ 80,169
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gain) loss on investments	(14,518)	70,618
SBA Paycheck Protection Program forgiveness	-	(27,050)
(Increase) decrease in operating assets		
Accounts receivable	2,604	28,110
Prepaid expense	(35)	125
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(50,237)	42,433
Deferred registration revenue	4,157	62,667
Net cash provided by operating activities	<u>100,454</u>	<u>257,072</u>
Cash flows from investing activities		
Purchase of investments and reinvestments	<u>(4,828)</u>	<u>(1,360)</u>
Net cash used in investing activities	<u>(4,828)</u>	<u>(1,360)</u>
Net change in cash and cash equivalents	95,626	255,712
Cash and cash equivalents, beginning of year	<u>732,091</u>	<u>476,379</u>
Cash and cash equivalents, end of year	<u>\$ 827,717</u>	<u>\$ 732,091</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, 2023 and 2022

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, as well as 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, 2023 and 2022, 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, 2023 and 2022, cash exceeded the FDIC limit by \$609,730 and \$497,441, 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 years ended August 31, 2023 and 2022. 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, as well as realized and unrealized gains and losses, are included with investment income in the statement of activities.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2023 and 2022

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. All assets were fully depreciated for the years ended August 31, 2023 and 2022, and there was no depreciation expense for the years then ended.

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, 2023 and 2022.

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 2020 through 2023.

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 over time, the revenue is recognized ratably over the membership period; membership dues are held in deferred revenue until recognized. 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. Prior to the year ended August 31, 2023, a portion of membership dues collected are payable to USA Swimming (USAS) and are remitted to USAS on a regular basis. Beginning with the year ended August 31, 2023, USAS collects the full amount of membership dues and disburses a portion to PVS, less a technology fee equal to 4 percent of PVS's share of membership dues.

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

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 700 and 500 individuals volunteered their time during the years ended August 31, 2023 and 2022, respectively.

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2023 and 2022

Functional classification of expenses

The costs of program services and operations 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 program services and operations 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 pronouncement

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for private companies for annual reporting periods beginning after December 15, 2021. PVS adopted the standard on its effective date, which for PVS was September 1, 2022. PVS has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases. Management has reviewed the requirements of ASC 842 on leases and has concluded that their current agreement does not meet the requirements to capitalize a right of use asset and corresponding lease liability on the statement of financial position.

Upcoming accounting pronouncements

The FASB has issued ASU 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 and PVS adopted this standard on its effective date, September 1, 2023.

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.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2023 and 2022

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

	Level 1 and total 2023	Level 1 and total 2022
Money market funds	\$ 8,591	\$ 6,453
Mutual funds		
US equity	176,655	160,304
International equity	26,643	24,238
Emerging markets equity	7,908	8,451
Fixed income	172,959	173,964
Total Level 1 assets	<u>\$ 392,756</u>	<u>\$ 373,410</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:

	2023	2022
Cash and cash equivalents	\$ 827,717	\$ 732,091
Accounts receivable	11,295	13,899
Investments	392,756	373,410
	<u>\$ 1,231,768</u>	<u>\$ 1,119,400</u>

5. Revenue recognition

PVS recognizes membership revenue over the life of the membership, with dues collected but not yet recognized being held in deferred revenue. Deferred revenue activity for the years ended August 31, 2023 and 2022 is as follows:

	2023	2022
Deferred revenue, beginning of year	\$ 90,444	\$ 27,777
Revenue recognized that was included in deferred revenue at the beginning of the year	(90,444)	(27,777)
Increase in deferred revenue due to cash received during the year	94,601	90,444
Deferred revenue, end of year	<u>\$ 94,601</u>	<u>\$ 90,444</u>

See independent accountant's review report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2023 and 2022

PVS's revenue disaggregated by the timing of satisfaction of performance obligations for the years ended August 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time		
Meet fees	\$ 815,257	\$ 591,137
Performance obligations satisfied over time		
Membership registration, net	<u>307,805</u>	<u>248,927</u>
	<u>\$ 1,123,062</u>	<u>\$ 840,064</u>

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, 2023 and 2022, fees paid to related clubs totaled \$100,383 and \$72,854, respectively.

7. Commitments

CARES Act SBA Paycheck Protection Program loan

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 on December 8, 2021.

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 could be terminated with a written notice of termination 180 days prior. The lease has been extended multiple times, most recently on June 1, 2023, at a rate of \$1,150 per month for 12 months. Total storage rental expenses were \$13,350 and \$12,750 for the years ended August 31, 2023 and 2022, respectively, and are included in equipment rental and repairs expense on the statement of functional expenses. Future minimum lease payments for the year ending August 31, 2024 total \$10,350.

8. Subsequent events

Potomac Valley Swimming, Inc. assessed events occurring subsequent to August 31, 2023 through December 14, 2023, 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.

See independent accountant's review report.