

SARFINO AND RHOADES, LLP

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Certified Public Accountants
and Business Advisors

December 23, 2008

To the House of Delegates
Potomac Valley Swimming, Inc

We have audited the financial statements of Potomac Valley Swimming, Inc for the year ended August 31, 2008, and have issued our report. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by PVS are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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.

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.

This information is intended solely for the use of House of Delegates 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.

Very truly yours,


Sarfino and Rhoades, LLP

POTOMAC VALLEY SWIMMING, INC.

AUGUST 31, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Potomac Valley Swimming, Inc. as of August 31, 2008 and 2007, and the related statements of activities and cash flows for the years 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Potomac Valley Swimming, Inc. as of August 31, 2008 and 2007, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



December 23, 2008

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
ASSETS	2008	2007
Cash and cash equivalents (Notes 1 and 2):		
Cash	\$ 129,882	\$ 272,195
Certificates of deposit	432,638	313,381
Total cash and cash equivalents	\$ 562,520	\$ 585,576
Receivables (Note 1)	4,389	6,066
Prepaid expenses	7,022	8,209
Investments (Notes 1 and 3)	103,061	88,779
Equipment, net of accumulated depreciation of \$105,091 and \$83,232 for 2008 and 2007, respectively (Note 1)	29,588	33,064
TOTAL ASSETS	\$ 706,580	\$ 721,694
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 33,189	\$ 4,496
NET ASSETS, UNRESTRICTED (Note 1)	673,391	717,198
TOTAL LIABILITIES AND NET ASSETS	\$ 706,580	\$ 721,694

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

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED AUGUST 31,	
	2008	2007
REVENUE:		
Membership registration	\$ 612,237	\$ 577,255
Meet fees	464,605	412,379
Investment income (Notes 1 and 3)	17,382	32,753
Swimposium and other	11,770	1,156
TOTAL REVENUE	\$ 1,105,994	\$ 1,023,543
EXPENSES:		
Programs:		
Swim meets	\$ 625,738	\$ 491,388
Fees to USA Swimming	408,114	380,807
Travel assistance	38,700	15,500
Total program expense	\$ 1,072,552	\$ 887,695
General and administrative	77,249	68,345
TOTAL EXPENSES	\$ 1,149,801	\$ 956,040
CHANGE IN UNRESTRICTED NET ASSETS	\$ (43,807)	\$ 67,503
NET ASSETS, BEGINNING OF YEAR	717,198	649,695
NET ASSETS, END OF YEAR	\$ 673,391	\$ 717,198

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,	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, clubs and other	\$ 1,090,290	\$ 984,735
Cash paid to suppliers and USA Swimming	(1,098,063)	(938,422)
Interest and dividends received	<u>28,763</u>	<u>27,964</u>
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	<u>\$ 20,990</u>	<u>\$ 74,277</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (18,383)	\$ (21,835)
Sales of investments	-	58,595
Purchases of investments	<u>(25,663)</u>	<u>(63,141)</u>
CASH USED IN INVESTING ACTIVITIES	<u>\$ (44,046)</u>	<u>\$ (26,381)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 \$ (23,056)	 \$ 47,896
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>585,576</u>	 <u>537,680</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 562,520</u>	 <u>\$ 585,576</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (43,807)	\$ 67,503
Reconciliation adjustments:		
Depreciation	21,859	15,462
Net realized and unrealized losses (gains) on investments	11,381	(4,789)
Changes in assets and liabilities:		
Receivables	1,678	(2,369)
Prepaid expenses	1,187	(3,686)
Accounts payable	<u>28,692</u>	<u>2,156</u>
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	<u>\$ 20,990</u>	<u>\$ 74,277</u>

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2008 AND 2007

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, 2008 and 2007.

Cash and Cash Equivalents - For purposes of the statement of cash flows, PVS considers certificates of deposit to be cash equivalents.

Investments - Investments are stated at fair market value at the statement of financial position dates and are subject to change thereafter due to market conditions. Money market accounts held with investment advisors are considered to be investments. Unrealized gains and losses are included with investment income in the statements of activities.

Equipment - Purchased equipment exceeding \$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 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 2008 and 2007.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. 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.

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2008 AND 2007

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

Receivables - Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on history, management has concluded that realization losses will be immaterial. The Organization does not require collateral from its members.

Note 2. **Concentration of Credit Risk** - Financial instruments, which potentially subject PVS to concentrations of credit risk, include cash deposits with commercial banks and investment brokers. Cash in excess of \$100,000 per institution and money market accounts are generally not covered by the Federal Deposit Insurance Corporation. PVS minimizes the risk by maintaining deposits in high quality financial institutions.

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

	2008	
	Market Value	Cost
Money market	\$ 860	\$ 860
Mutual funds	102,201	106,385
Totals	\$ 103,061	\$ 107,245
	2007	
	Market Value	Cost
Money market	\$ 378	\$ 378
Mutual funds	88,401	81,203
Totals	\$ 88,779	\$ 81,581

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

	2008	2007
Interest and dividends	\$ 28,763	\$ 27,964
Net realized and unrealized gains (losses)	(11,381)	4,789
Totals	\$ 17,382	\$ 32,753

Note 4. **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 under SFAS No. 116.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our report on our audits of the basic financial statements of Potomac Valley Swimming, Inc. for 2008 and 2007 appears on page 1. We conducted our audits 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 schedules of revenue and expenses are presented for the purpose of additional analysis and are 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

December 23, 2008

POTOMAC VALLEY SWIMMING, INC.
SCHEDULES OF REVENUE AND EXPENSES

FOR THE YEARS ENDED
AUGUST 31,

	<u>2008</u>	<u>2007</u>
REVENUE:		
Membership registration	\$ 612,237	\$ 577,255
PVS meet fees	230,454	235,786
Eastern Zone fees	93,910	-
Zone team fees	74,652	109,370
Club meet fees	65,589	67,223
Investment income	17,382	32,753
Swimposium and other	11,770	1,156
Totals	<u>\$ 1,105,994</u>	<u>\$ 1,023,543</u>
 EXPENSES:		
PROGRAMS:		
Registrations	\$ 408,114	\$ 380,807
PVS and club meets	218,999	214,019
Contract services and Executive Director's compensation	124,630	74,577
LC and SC Zone teams and camps	117,219	150,895
Eastern Zone expenses	77,603	-
Travel assistance	38,700	15,500
Other program support	33,818	25,086
Swimposium	24,354	-
Depreciation	21,859	15,462
Equipment parts and supplies	4,957	10,267
Payroll tax	1,775	-
Website and internet	524	1,082
Totals	<u>\$ 1,072,552</u>	<u>\$ 887,695</u>
 GENERAL AND ADMINISTRATIVE:		
Executive Director's compensation	\$ 30,000	\$ 29,600
Committee	21,970	19,864
Office and other administrative	11,497	7,471
Professional services	10,125	9,939
Payroll taxes	1,530	-
Investment and banking fees	1,126	585
Telephone	1,001	886
Totals	<u>\$ 77,249</u>	<u>\$ 68,345</u>