

POTOMAC VALLEY SWIMMING, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2024 AND 2023



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Potomac Valley Swimming, Inc.

Opinion

We have audited the accompanying financial statements of **Potomac Valley Swimming, Inc.** (a nonprofit organization), which comprise the statement of financial position as of August 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The 2023 financial statements were reviewed by us, and our report thereon, dated January 5, 2024, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance 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 as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Potomac Valley Swimming, Inc.'s** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Potomac Valley Swimming, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Potomac Valley Swimming, Inc.'s** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kositzka, Wicks and Company

Alexandria, Virginia
December 12, 2024

Potomac Valley Swimming, Inc.

Statements of Financial Position August 31,

(Audited)
2024

(Reviewed)
2023

Assets

Current assets

Cash and cash equivalents	\$ 501,658	\$ 827,717
Investments	948,143	392,756
Accounts receivable	15,016	11,295
Prepaid expenses	-	35
Security deposit	1,000	1,000
Total assets	<u>\$ 1,465,817</u>	<u>\$ 1,232,803</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 47,720	\$ 17,100
Deferred registration revenue	101,707	94,601
Total liabilities	<u>149,427</u>	<u>111,701</u>

Net assets

Without donor restrictions	1,316,390	1,121,102
Total liabilities and net assets	<u>\$ 1,465,817</u>	<u>\$ 1,232,803</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Potomac Valley Swimming, Inc.

Statements of Activities for the years ended August 31,	(Audited) 2024	(Reviewed) 2023
	Without donor restrictions and total	Without donor restrictions and total
Revenue		
Membership registration	\$ 348,596	\$ 334,321
USAS Technology fee and Officials/Staff registration reimbursement	<u>(24,400)</u>	<u>(26,516)</u>
Net membership revenue	324,196	307,805
Meet fees	753,747	815,257
Investment income, net	55,791	20,220
Miscellaneous income	<u>4,163</u>	<u>3,593</u>
Total revenue	<u>1,137,897</u>	<u>1,146,875</u>
Expenses		
Program services		
Meets and programs	731,690	737,749
Officials	54,223	37,529
Membership registration	<u>36,514</u>	<u>62,437</u>
	822,427	837,715
Operations	<u>120,182</u>	<u>150,677</u>
Total expenses	<u>942,609</u>	<u>988,392</u>
Change in net assets	195,288	158,483
Net assets, beginning of year	<u>1,121,102</u>	<u>962,619</u>
Net assets, end of year	<u>\$ 1,316,390</u>	<u>\$ 1,121,102</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Potomac Valley Swimming, Inc.

Statement of Functional Expenses for the year ended August 31, 2024 (Audited)

	Meets and programs	Officials	Membership registration	Total programs	Operations	Total
Expenses						
Activities and hospitality	\$ 53,089	\$ -	\$ -	\$ 53,089	\$ -	\$ 53,089
Advertising	-	-	-	-	575	575
Apparel and supplies	-	5,617	-	5,617	-	5,617
Background checks	-	1,995	-	1,995	-	1,995
Bank charges	-	-	-	-	1,790	1,790
Computer expenses	-	-	-	-	5,173	5,173
Equipment rental and repairs	25,275	-	-	25,275	-	25,275
Fundraising	1,200	-	-	1,200	-	1,200
Meet management fees	101,678	-	-	101,678	-	101,678
Meetings and conferences	-	-	-	-	765	765
Office expenses	-	-	-	-	3,326	3,326
Payroll taxes	-	-	2,595	2,595	7,153	9,748
Pool and other rentals	448,910	-	-	448,910	-	448,910
Professional fees	48,638	-	-	48,638	7,900	56,538
Salaries	-	-	33,919	33,919	93,500	127,419
Travel stipends	52,900	46,611	-	99,511	-	99,511
Total functional expenses	\$ 731,690	\$ 54,223	\$ 36,514	\$ 822,427	\$ 120,182	\$ 942,609

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Potomac Valley Swimming, Inc.

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

	Meets and programs	Officials	Membership registration	Total programs	Operations	Total
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 stipends	43,400	31,478	-	74,878	-	74,878
Total functional expenses	\$ 737,749	\$ 37,529	\$ 62,437	\$ 837,715	\$ 150,677	\$ 988,392

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Potomac Valley Swimming, Inc.

Statements of Cash Flows for the years ended August 31,	(Audited) 2024	(Reviewed) 2023
Cash flows from operating activities		
Change in net assets	\$ 195,288	\$ 158,483
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gain on investments	(45,420)	(14,518)
(Increase) decrease in operating assets		
Accounts receivable	(3,721)	2,604
Prepaid expenses	35	(35)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	30,620	(50,237)
Deferred registration revenue	7,106	4,157
Net cash provided by operating activities	<u>183,908</u>	<u>100,454</u>
Cash flows from investing activities		
Purchase of investments and reinvestments	<u>(509,967)</u>	<u>(4,828)</u>
Net cash used in investing activities	<u>(509,967)</u>	<u>(4,828)</u>
Net change in cash and cash equivalents	(326,059)	95,626
Cash and cash equivalents, beginning of year	<u>827,717</u>	<u>732,091</u>
Cash and cash equivalents, end of year	<u>\$ 501,658</u>	<u>\$ 827,717</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2024 (Audited) and 2023 (Reviewed)

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, 2024 and 2023, 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, 2024 and 2023, cash exceeded the FDIC limit by \$299,465 and \$609,730, respectively.

Accounts receivable and allowance for credit losses

PVS operates in the nonprofit industry and its accounts receivable are primarily derived from customer contracts related to membership registrations and swim meets and activities. Accounts receivable are recorded when the appropriate revenue recognition criteria are met. At the statement of financial position date, PVS recognizes an expected allowance for credit losses. In addition, also at each reporting date, the estimate is updated to reflect any changes in credit risk since similar risk characteristics exist. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible. Based on the PVS' experience with its customers and management's assessment of current conditions, reasonable and supportable forecasts regarding future events, write-offs have been immaterial and no allowance for credit losses was considered necessary for accounts receivable as of August 31, 2024 and 2023.

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.

See independent auditor's report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2024 (Audited) and 2023 (Reviewed)

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, 2024 and 2023, 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, 2024 and 2023.

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 2021 through 2024.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

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 individuals volunteered their time during the years ended August 31, 2024 and 2023.

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. USA Swimming (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.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2024 (Audited) and 2023 (Reviewed)

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

PVS has adopted the Financial Accounting Standards Board (FASB) Accounting Standard Codification – *Financial Instruments-Credit Losses* (ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by PVS that are subject to the guidance in FASB ASC 326 were accounts receivable. PVS adopted the standard effective September 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

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 2024	Level 1 and total 2023
Money market funds	\$ 43,667	\$ 8,591
Mutual funds		
US equity	194,177	176,655
International equity	46,137	26,643
Real Estate	21,880	-
Emerging markets equity	-	7,908
Fixed income	642,282	172,959
Total Level 1 assets	<u>\$ 948,143</u>	<u>\$ 392,756</u>

See independent auditor's report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2024 (Audited) and 2023 (Reviewed)

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 501,658	\$ 827,717
Accounts receivable	15,016	11,295
Investments	948,143	392,756
	<u>\$ 1,464,817</u>	<u>\$ 1,231,768</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, is as follows:

	<u>2024</u>	<u>2023</u>
Deferred revenue, beginning of year	\$ 94,601	\$ 90,444
Revenue recognized that was included in deferred revenue at the beginning of the year	(94,601)	(90,444)
Increase in deferred revenue due to cash received during the year	101,707	94,601
Deferred revenue, end of year	<u>\$ 101,707</u>	<u>\$ 94,601</u>

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

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time		
Meet fees	\$ 753,747	\$ 815,257
Performance obligations satisfied over time		
Membership registration, net	324,196	307,805
	<u>\$ 1,077,943</u>	<u>\$ 1,123,062</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, 2024 and 2023, fees paid to related clubs totaled \$147,303 and \$100,383, respectively.

See independent auditor's report.

Potomac Valley Swimming, Inc.

Notes to Financial Statements August 31, 2024 (Audited) and 2023 (Reviewed)

7. Commitments

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, 2024, at a rate of \$1,150 per month for 12 months. Total storage rental expenses were \$13,800 and \$13,350 for the years ended August 31, 2024 and 2023, 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, 2025 total \$10,350.

8. Subsequent events

Potomac Valley Swimming, Inc. assessed events occurring subsequent to August 31, 2024 through December 12, 2024, 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.