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Certified Public Accountants
and Business Advisors

November 20, 2009

To the Audit Committee
and Management of Potomac Valley Swimming, Inc.

In planning and performing our audit of the financial statements of Potomac Valley Swimming, Inc. as of and for the year ended August 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Potomac Valley Swimming, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, and the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



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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, 2009, and have issued our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

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 Potomac Valley Swimming, Inc. 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. However, the new FASB codification requires disclosures in two new areas: Note 4 describes fair value measurement of cash and investments and Note 6 describes the date through which subsequent events are evaluated. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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 auditors' 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 the 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, 2009 AND 2008

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 7
Supplemental Information:	
Independent Auditors' Report on Supplemental Information	8
Schedules of Revenue and Expenses	9

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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, 2009 and 2008, 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, 2009 and 2008, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



November 20, 2009

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
	2009	2008
ASSETS		
Cash and cash equivalents (Notes 1, 2 and 4):		
Cash	\$ 129,749	\$ 129,882
Certificates of deposit	453,765	432,638
Total cash and cash equivalents	\$ 583,514	\$ 562,520
Receivables (Note 1)	25,297	4,389
Prepaid expenses	9,412	7,022
Investments (Notes 1, 3 and 4)	95,266	103,061
Equipment, net of accumulated depreciation of \$122,389 and \$105,091 for 2009 and 2008, respectively (Note 1)	16,050	29,588
TOTAL ASSETS	\$ 729,539	\$ 706,580
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 41,469	\$ 33,189
NET ASSETS, UNRESTRICTED (Note 1)	688,070	673,391
TOTAL LIABILITIES AND NET ASSETS	\$ 729,539	\$ 706,580

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

POTOMAC VALLEY SWIMMING, INC.
STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED AUGUST 31,	
	2009	2008
REVENUE:		
Membership registration	\$ 681,419	\$ 612,237
Meet fees	460,311	464,605
Miscellaneous income	17,250	11,770
Investment income (Notes 1 and 3)	8,628	17,382
TOTAL REVENUE	\$ 1,167,608	\$ 1,105,994
EXPENSES:		
Programs:		
Swim meets	\$ 586,784	\$ 625,738
Fees to USA Swimming	457,291	408,114
Travel assistance	19,050	38,700
Total program expenses	\$ 1,063,125	\$ 1,072,552
General and administrative	89,804	77,249
TOTAL EXPENSES	\$ 1,152,929	\$ 1,149,801
CHANGE IN UNRESTRICTED NET ASSETS	\$ 14,679	\$ (43,807)
NET ASSETS, BEGINNING OF YEAR	673,391	717,198
NET ASSETS, END OF YEAR	\$ 688,070	\$ 673,391

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,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, clubs and other	\$ 1,138,072	\$ 1,090,290
Cash paid to suppliers and USA Swimming	(1,129,741)	(1,098,063)
Interest and dividends received	21,325	28,763
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 29,656	\$ 20,990
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	\$ (3,760)	\$ (18,383)
Purchases of investments	(4,902)	(25,663)
CASH USED IN INVESTING ACTIVITIES	\$ (8,662)	\$ (44,046)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 20,994	\$ (23,056)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	562,520	585,576
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 583,514	\$ 562,520
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 14,679	\$ (43,807)
Reconciliation adjustments:		
Depreciation	17,298	21,859
Net realized and unrealized loss on investments	12,697	11,381
Changes in assets and liabilities:		
Receivables	(20,908)	1,678
Prepaid expenses	(2,390)	1,187
Accounts payable	8,280	28,692
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 29,656	\$ 20,990

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

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

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, 2009 and 2008.

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

Investments - Investments are composed of publicly-traded mutual funds and are stated at fair 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 2009 and 2008.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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, 2009 AND 2008

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. PVS 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 \$250,000 and \$100,000 as of August 31, 2009 and 2008, respectively 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:

	2009	
	Fair Value	Cost
Money market	\$ 288	\$ 288
Mutual funds	94,978	108,140
Totals	\$ 95,266	\$ 108,428
	2008	
	Fair Value	Cost
Money market	\$ 860	\$ 860
Mutual funds	102,201	102,667
Totals	\$ 103,061	\$ 103,527

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

	2009	2008
Interest and dividends	\$ 21,325	\$ 28,763
Net realized and unrealized loss	(12,697)	(11,381)
Totals	\$ 8,628	\$ 17,382

POTOMAC VALLEY SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

Note 4. **Fair Value of Financial Instruments** - The following methods and assumptions were used by PVS in estimating its fair value disclosures for financial instruments:

Money Market - The carrying value amounts of the money market fund reported in the statement of financial position approximates fair value.

Mutual Funds - The fair value of mutual funds are based on quoted market prices for those or similar investments.

The following table presents PVS's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>
Money market	\$ 288	\$ 288
Mutual funds	94,978	94,978
Totals	<u>\$ 95,266</u>	<u>\$ 95,266</u>

Note 5. **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 as required by the Donated Services Topic of the FASB Accounting Standards Codification.

Note 6. **Subsequent Events** - In preparation of these financial statements, PVS has evaluated events and transactions for potential recognition or disclosure through November 20, 2009 which is the date the financial statements were available to be issued.

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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 2009 and 2008 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.



November 20, 2009

POTOMAC VALLEY SWIMMING, INC.
SCHEDULES OF REVENUE AND EXPENSES

FOR THE YEARS ENDED
AUGUST 31,

	2009	2008
REVENUE:		
Membership registration	\$ 681,419	\$ 612,237
PVS meet fees	280,704	230,454
Zone team fees	101,401	74,652
Club meet fees	76,689	65,589
Miscellaneous income	17,250	11,770
Investment income	8,628	17,382
Eastern Zone fees	1,517	93,910
Totals	\$ 1,167,608	\$ 1,105,994

EXPENSES:

PROGRAMS:

Registrations	\$ 457,291	\$ 408,114
PVS and club meets	256,077	218,999
LC and SC Zone teams and camps	157,658	117,219
Contract services and Executive		
Director's compensation	110,626	124,630
Other program support	32,959	33,818
Travel assistance	19,050	38,700
Depreciation	17,298	21,859
Equipment parts and supplies	8,312	4,957
Payroll taxes	1,983	1,775
Eastern Zone expenses	1,179	77,603
Website and internet	692	524
Swimposium	-	24,354
Totals	\$ 1,063,125	\$ 1,072,552

GENERAL AND ADMINISTRATIVE:

Executive Director's compensation	\$ 38,880	\$ 30,000
Committee	21,216	21,970
Professional services	16,389	10,125
Office and other administrative	7,893	11,497
Payroll taxes	2,974	1,530
Telephone	1,509	1,001
Investment and banking fees	943	1,126
Totals	\$ 89,804	\$ 77,249