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Arizona Swimming

2011 Annual Report to the Membership
Including...

State of the Sport,
Management Discussion
and Analysis
&
Financial Statements for
the year ending
August 31, 2011

Arizona Swimming Contact Information Sheet

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Arizona Swimming, Inc.

2011 Annual Report to the Membership Index

| | Page |
|---|------|
| Arizona Swimming Contact List | 2 |
| Index | 3 |
| State of the Sport | |
| Mr. John Degnan, General Chair | 4 |
| Mrs. Carla Morelli, Executive Director | 5 |
| Ms. Samantha Kramer, Age Group Chair | 6 |
| Mrs. Starre Haney, Safety Chair | 7 |
| Mr. Scott Lathrop, Senior Chair | 8 |
| Management Discussion & Analysis | 9 |
| Financial Statements for the year ended August 31, 2011 | 12 |

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REPORT OF THE GENERAL CHAIR TO THE MEMBERSHIP

State of the Sport

Arizona Swimming had a good year. We ended the fiscal year bigger than we have ever been; with more athletes and non-athletes alike and continued increase in our retention rate.

In the 2007 registration year, the year before the start of this quadrennium, AzSI's overall retention rate for year round athletes was 59.75%. In the 2011 registration year, our overall athlete retention rate has risen to 69.45%. During this five year period the number of new athletes registering every year has remained relatively constant at about 1,380 year round athletes per year. Our growth, then, has come from our efforts to increase athlete retention. This almost 10% rise in retention has been led by the increased retention of AzSI's largest group of athletes, the eight and under athletes which has increased almost 20%. However, our growth is bringing problems.

As AzSI looks to the next quadrennium, we find our traditional programs are stressed and need revision. AzSI's increase in athlete membership has brought increased size to many meets, include our Age Group and Senior Championships. The Age Group and Senior Committees are addressing this problem and will be offering programming solutions. They will work with the other committees of AzSI, most importantly the Athletes Committee, for creative solutions to these problems.

USA Swimming has informed us that it is their goal to drastically reduce the size of both the National and Junior National Championship meets; each by approximately 45% to 1,000 athletes each. This will be accomplished by adopting faster time standards. Obviously, this will end up affecting all levels of the sport as athletes are displaced from one class of meet look for other meets. For example, athletes who in the recent past qualified for Sectionals will no longer qualify. AzSI and the other LSCs must be in a position to provide meaningful competition for these displaced athletes. As a result we must rethink how we do things here in Arizona and how do we provide quality competition for our athletes while at same time fostering retention. That is not easy.

Huge, long meets with no time standards and all ages of participants are not the answer. Our Athlete Committee has told us that they don't want to go to meets with their little brothers and sisters and I am relatively certain that if asked, the little brothers don't want to go swim with big brother all the time either. What our athletes want is meaningful competition amongst their peers. One size does not fit all. We must find a mix that works for all levels of competition; one that fosters competition with the goal of qualifying our athletes for higher levels of competition.

The last few years have seen an increasing administrative burden on the office of AzSI. Changes to the registration process for athletes, non-athletes and clubs have dramatically increased the time required to process such registrations. Also, USA Swimming has imposed additional requirements for its clubs and non-athletes that require tracking by the office. Our Executive Director, working with our Board of Directors and the officers, has automated as much of this as possible. Our next web based project is the addition of an educational portal. This will first be used for the on-line Meet Marshal Training written by Starre Haney, our Safety Chair.

Again this year our actual expenditures were less than budgeted, resulting in an increase in funds. Had AzSI spent all the budgeted funds, it would have shown a loss for the year. Arizona Swimming is fiscally sound and in good shape financially.

John Degnan
General Chair

REPORT OF THE EXECUTIVE DIRECTOR TO THE MEMBERSHIP

State of the Sport

Athlete and non-athlete membership grew in 2011 pushing our athlete count to record levels with an increase of over 200 athletes for the 2011 registration year. Non-athlete membership increased from 510 in 2010 to 535 in the 2011 registration year. 13 new coaches and 36 new non-athletes registered as officials. 2011 ended with a year round club membership of 43 which was an increase of one year round club. This growth was after a year of stagnant membership in 2010.

Arizona Swimming was represented at the September 2010 USA Swimming Convention in Dallas, TX. by John Degnan (General Chair), Joe Zemaitis (Age Group Chair) and Duncan Scott (Olympic International Committee Member). Athlete protection legislation including implementation of background screening for all non-athletes was passed by the USA Swimming House of Delegates.

In addition to the annual USA Swimming convention the following Arizona Swimming Volunteers participated in the following programs during fiscal 2011. Bryan Lynch attended the Officials Chair meeting in Kansas in June of 2011 on behalf of Mary Kramer, Officials Chair. John Degnan and Greg Dozer attended the General Chair/Admin Vice Chair Meeting in October of Colorado Springs October 2010. John Degnan attended the Western Zone General Chair meeting in July in California. Starre Haney attended the Safety Chair Workshop in Minneapolis July 2011.

Bill Krumm, USA Swimming Sport Development Consultant, for the Western Zone held the Club Leadership and Business Management Class in the fall of 2010 in Phoenix. It was attended by several Arizona Swimming clubs. This class satisfies the first year requirement for club membership in USA Swimming.

Congratulations to the four recipients of the 2011 Arizona Swimming College Scholarship competition. Scholarships were awarded to David Bull (SAC), Eleanor Hennessy (PSC), Melinda Jenner (SDA) and Trevor Meiss (NEP) at the AzSI House of Delegates meeting held in April 2011.

Congratulations to Arizona Swimming clubs who have achieved a high level of athlete performance as well as organizational success which have been recognized by USA Swimming's 2011 Club Excellence Program. Phoenix Swim Club and Tucson Ford Dealers Aquatics were recognized as 2011 GOLD Medal Clubs. Sun Devil Aquatics and Scottsdale Aquatics qualified for the 2011 Silver Medal Club recognition.

The Arizona Swimming Board of Directors, Committee Chairs and Committee members along with scores of volunteers have all worked hard to continue to bring about programming advances in addition to continuing to build on already established Arizona Swimming policies and traditions. The volunteer base of officials continues to grow under the leadership of Mary Kramer, Officials Chair, however it is important that we remain diligent in recruiting and encouraging new officials.

During the 2011 registration year, all non-athletes were required to complete a background check. 2012 registration requires Athlete Protection Training of all non-athlete members. USA Swimming has indicated that Athlete Protection Training for athletes and parents may be available as soon as the end of the 2011.

Reflecting on the year 2011 a great deal has been accomplished yet there is always much work left to do. Arizona Swimming continues to strive to excel in providing the membership with the opportunity to reach their full potential in and out of the pool!

Carla Morelli
Executive Director

REPORT OF THE AGE GROUP CHAIR TO THE MEMBERSHIP

Age Group Swimming in Arizona

With an Olympic year upon us so comes the end of a quadrenium and the beginning of the next. We have to ask ourselves together where we have come in the last four years and where we would like to go as we begin the next four. We have seen the successful re-integration of the 8 & under championship meet; we have seen highly successful regional meets that have qualified numerous new swimmers for state, and we have seen some of our largest and fastest state championship meets. With some of the successes have come some struggles as well. Clearly we need to take another look at time standards, and with the work of some of our brightest and best in Arizona Swimming leadership we are well on our way to a new formula for success.

It is the plan and the intent of the age group committee to maintain most of the status quo as we finish out the current quadrenium making only those changes that have significantly impacted our swimmers at championship level meets. Fliers for championship level meets have only been adjusted for purposes of alignment short course to long course as well as adherence to both USA Swimming rules and those motions previously passed by the House of Delegates.

As we move forward it will take the work of us all to think about a four year plan and to work together to allow for seamless transitions between 8 & under swimming to qualifying meets to senior level swimming. Where do we want to see each group of athletes move in the course of four years? How are we currently serving the interests of all of our swimmers and how do we see that changing? How are we currently serving each age bracket of swimmers; and, as they move from one age group to the next, how do we continue to foster their growth and success? Some transitions are more difficult than others for an individual, so how can we best serve our swimmers as they move and what do we want their next four years to look like? These questions and more are ones that are tough to answer.

We will never serve 100% of the population what they want 100% of the time, but we do need to work together so all have a voice and a role in how we shape the course of the next four years. In just one year from now it is my sincere hope that we can stand together with a plan in place for how the next quadrenium will unfold for Arizona Age Group Swimming. The Age Group Committee in conjunction with the Senior and Coaches Committees should be able to work together to hear and address all concerns and to build a four year plan for our swimmers putting their success first.

Samantha Kramer
Age Group Chair

REPORT OF THE SAFETY CHAIR TO THE MEMBERSHIP

Safety in Arizona

This year has been busy primarily with development and completion of the Meet Marshal Training program. The training program was piloted at Long Course Age Group States and has been submitted to Arizona Swimming web service for uploading to the web site for online training. It should be available shortly on the Arizona Swimming website. We had hoped that it would be available prior to November 1st but delays/issues in the cyberworld made that impossible. Once available, announcements will be made via the Arizona Swimming website and email blast to all the teams. All meets being hosted from 2012 forward will be required to meet the Arizona Swimming meet marshal policy of having the appropriate number of trained/verified meet marshals.

This is a reminder to all, that it is very important to report injuries within a short time of the incident. Please advise all coaches and parents to report injuries promptly and complete the USA Swimming Report of Occurrence form and submit. We have seen some great improvement in our reporting times but there are a few cases where reports were submitted weeks after the incident occurred. Arizona Swimming keeps the most current Report of Occurrence form on its website. Be sure to see that you have the current form. The 2011 calendar year-to-date reported injuries is also attached for your review.

We will continue to monitor the injuries that have occurred in Arizona Swimming. A number of injuries this year have been related to sharp lane lines or pool gutters that have caused lacerations and other injuries. Please check your equipment/facility and repair or replace faulty equipment. Also, a large number of dryland injuries occur every year. Although you can't prevent all injuries, do as much as you can to make your dryland activities safe. Remind your swimmers that running on deck is a cause of many injuries- a good way to be able to swim fast is NOT to have an injury from running on deck.

More specifically, this year Arizona Swimming reported 28 injuries with 15, or 53.6%, occurring during dryland. There were an additional 3, or 10.7%, which occurred during practice in the water. 9, or 32%, accidents that happened at meets and one additional.

In addition this year I attended the USA Swimming Safety Chair workshop and the USA Swimming annual convention to continue to learn and work with others regarding Safety. Meet marshal training, athlete protection and open water swimming safety are the hot topics for safety chairs as well as USA Swimming.

A new safety committee is forming now so if you or someone you know would like to be a part of this committee, please contact me. Thank you for all your hard work in keeping your pools safe!

Starre Haney
Safety Chair

REPORT OF THE SENIOR CHAIR TO THE MEMBERSHIP

Senior Swimming in Arizona

This year begins the final segment of the current quadrenium, with much of this country's focus on the Olympic year just around the corner. Overall membership in USA Swimming continues to grow, a trend that we in Arizona are experiencing as well. The state meets have had their largest attendance to date, despite quicker time standards. While the format of our state meets will largely remain unchanged for the coming season, new items are on the horizon will need to be addressed, in addition to old items that have not made it to the table.

Largely, the biggest challenge we will encounter in the next four years are significantly faster standards from the top competition of Olympic Trials all the way down through the national meets into the sectional meets. Clubs will face the issue to stay with their primary objective, development, while also finding the ways to stay competitive in and outside the state.

Following are key issues that we need to look hard at for the coming years:

- **Senior State meet:** With the toughening up of USA time standards, the shape and purpose of the State meets in Arizona needs to be considered. Currently the meet serves a two-fold purpose as a season ending meet for development athletes, while also a vessel for qualification to more elite level competitions. Do we wish the event to continue in this capacity, or move toward a stronger end-of-season competition? The possibility exists that more athletes not qualifying for national or sectional meets will look to another source for the season ending meet. The question of availability to out of state competitors has also been brought up.
- **Senior Zone Championships:** The Western Zone has introduced another step to help with development. This meet seems to have had early success, offering out of state competition and travel to a larger portion of Arizona swimming membership. The meet is currently a club meet, not an all-star format, allowing clubs to choose whether to put it on their calendar. Spring dates have not been released.
- **Athlete Funding:** Time and again this subject has been brought up, and is still an important topic. My predecessors have done some strong work on proposals; however, none have been brought forth to the BOD. Our current senior committee and I hope to continue their work and try to get to the proposal stage.

Scott Lathrop
Senior Chair

MANAGEMENT'S DISCUSSION & ANALYSIS FOR YEAR ENDING AUGUST 31, 2011

As of August 31, 2011 AzSI had total assets of \$499,017 of which \$484,876 is held in the form of cash or near-cash investments. Of those assets, none were Temporarily Restricted as part of the Officials Fund. Also as of August 31, 2011 AzSI General Fund had \$314 of recorded liabilities and \$498,703 of Net Assets of the General Fund.

Membership:

During the fiscal year just ended membership remained relatively stable.

As of August 31, 2011 AzSI had 4,721 total athlete members, as compared to 4,506 and 4,575 at the end of fiscal 2010 and 2009 respectfully. This represents a 4.8% increase from 2010 to 2011.

As of August 31, 2011 AzSI had 535 non-athlete members as compared to 510 and 496 at the end of fiscal 2010 and 2009 respectfully. Non-athlete members include all coaches, officials and certain other volunteers. This represents a 4.7% increase from 2010 to 2011.

As of August 31, 2011 AzSI had 43 year-round clubs, no seasonal clubs and no organization member. During fiscal 2010 and 2009 respectfully, there were 42 year round clubs, two seasonal clubs and one organization and 40 clubs, two seasonal clubs and one organizations respectfully.

For the fiscal year ending August 31, 2011 AzSI recorded 1,124 transfers by registered year round athletes from one USA Club to another. Of these transfers 814 were within Arizona. In the fiscal year ended August 31, 2010 AzSI recorded 1,455 transfers of which 1,180 were within Arizona. Through October of 2011 414 year round athletes have transferred clubs. Of those 316 were within Arizona, a 33.5% increase over the rate of transfers in the fiscal year just ended.

AzSI collects on behalf of USA Swimming certain membership fees from athletes, non-athletes and clubs / organizations. AzSI also assesses a membership fee that is collected contemporaneously with the USA membership fees. During the year just ended, AzSI collected a total of \$305,535 in total membership fees of which it passed \$240,146 through to USA Swimming. In the last fiscal year AzSI collected \$290,028 in membership fees and passed \$226,789 through to USA Swimming.

During fiscal 2011, the expenses attributable to the production of the membership income were \$46,672 including depreciation.

By action of the House of Delegates of USA Swimming the registration fees will continue to increase over a ten year period ending 2011. This increased revenue will be passed directly to USA Swimming and will not effect revenue available for programs at AzSI. While it is anticipated this revenue source will continue, revenue will continue to fluctuate with memberships levels.

Administration

Operations

AzSI has been granted permission by USA Swimming to grant sanctions and approvals of certain swimming competitions. AzSI charges a fee for such sanctions or approvals. During the year just ended, AzSI issued approximately 102 sanctions and / or approvals, collecting \$7,840 in revenue from those sanctions and approvals.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR YEAR ENDING AUGUST 31, 2011

Administration, continued

AzSI collects the sanction or approval fee after the conclusion of the meet.

AzSI charges all registered athletes a surcharge when they participate in either a sanctioned or approved meet. Host Clubs collect the surcharge on behalf of AzSI and remit it subsequent to the conclusion of the meet. During the year just ended AzSI collected \$117,906 for such surcharges as compared to 2010 when we collected \$115,606 in surcharges.

While it is anticipated that income from sanctions, approvals, and surcharges will remain constant, it is dependent on the numbers of meets and splashes.

General

Under the standardization policy, AzSI ordered medals for a two year cycle of state championships and regional meets. Additionally, AzSI orders awards for other meets such as Fall League and 8 & Under Championships. In doing so AzSI was able to achieve substantial savings over the normal process of ordering medals and other awards for individual meets. In some cases the savings were greater than 50%. Teams hosting the AzSI meets covered by the standardization policy reimburse AzSI at cost for these medals plus freight. The net cost to AzSI after reimbursement for awards was \$1,123.

During the year just ended, AzSI's revenue exceeded expenditures resulting in a net increase in Net Assets by \$27,196. This increase in net assets was attributed to unspent budgeted expenditures by many of the committees of Arizona Swimming. The approved budget for the year ending August 31, 2012 shows a deficit.

Athlete Programs

Age Group Swimming

This year Age Group Swimming continued the program of providing reimbursements to clubs for actual costs of enhancing certain meets. Certain Regional, State Championship, Fall League as well as the 8 & Under Championship meets hosted by various Clubs are entitled to reimbursement of up to, in the case of State Championship meets, \$2,500, 8 & Under Championship, \$1,000 and regional and fall league championship meets \$500 each for extra costs incurred to enhance these meets. Reimbursement requires submission of receipts for actual expenditures.

For the fiscal year just ended total income, including interdepartmental allocations, for Age Group Swimming was \$34,920, an decrease of \$1,630 over last fiscal year. Actual expenditures including meet enhancements and other program costs were \$24,406.

It is anticipated that funding for Age Group Swimming will remain relatively constant for the next year.

Senior Swimming

During the year just ended the Senior Swimming continued its program of meet enhancements for

MANAGEMENT'S DISCUSSION & ANALYSIS FOR YEAR ENDING AUGUST 31, 2011

Athlete Programs, continued

certain meets as well as the funding of a college scholarship plan for AzSI athletes. Certain State Championship meets hosted by various Clubs are entitled to reimbursement of up to \$2,500 each for extra costs associated with these championship meets. The scholarship program provides a up to four \$1,000 college scholarships to AzSI athletes who are graduating seniors, met certain requirements and are not swimming in a Division I or II NCAA program in college. During the fiscal year, four \$1,000 scholarships were awarded.

For fiscal year just ended, senior programs had total income, including interdepartmental allocation was \$27,550 a decrease of \$2,000 over last fiscal year. Actual expenses including meet enhancements and other program expenses totaled \$13,997.

It is anticipated that funding for Senior Swimming will remain relatively constant for the next year.

Operations

Equipment

Arizona Swimming owns and maintains two complete sets of Colorado Electronic Timing equipment for rental to member Teams and others. AzSI rents this equipment to its members for an amount substantially under the fair value rental rates for that equipment. When AzSI rents equipment to organizations who are not members of AzSI, it negotiates rates on a case-by-case basis. During the fiscal year just ended equipment expenses after depreciation, were \$9,056 plus gain from sale of retired equipment of \$2,246 and acquisitions of \$9,604. Arizona Swimming took advantage of several opportunities to acquire used equipment at substantial savings to the organization. Revenue exceeded expenditures by \$2,766. Because of the sensitive nature of this equipment it is impossible to project in which period major expenditures for replacements or upgrades of such electronic equipment will be necessary.

Officials' Fund

The Officials' Committee administers a Temporarily Restricted Fund (the "Fund") that can only be spent on Officials operations and training.

All officials volunteer their time to work sanctioned and approved meets and certain other meets. The Fund received revenue from the AzSI general fund, certain non-member organizations which hire the officials, time trials and certain contributions. During the fiscal year just ended the total revenue for Officials Fund was \$15,781 of that, \$14,179 of total revenue came from the General Fund and \$1,602 from time trials. It is anticipated that this level of support from the General Fund will continue.

Legal Matters

During the fiscal year just ended, certain action by Arizona Swimming's Board of Review was appealed to the USA Swimming Board of Review. This action required the organization to retain counsel to represent it in this matter. Fees for this representation were \$10,000; the matter is now closed. Additionally, AzSI retained separate legal counsel to file certain copyrights, trademarks and trade names associated with AzSI and its publications. These have now been filed.

There are no other legal actions pending. It is not anticipated that these expenses will continue.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Cash Basis Financial Statements

August 31, 2011

Arizona Swimming, Inc

(an Arizona Not-for-Profit Corporation)

Statements of Assets, Liabilities & Net Assets - Cash Basis

August 31, 2011

| Assets | General <u>Assets</u> | Officials <u>Fund</u> | <u>Total</u> |
|---|----------------------------------|----------------------------------|--------------------------|
| Cash (Notes 1,2,5 & 7) | \$ 15,611 | \$ - | \$ 15,611 |
| Investments (Notes 2 & 7) | 469,265 | | 469,265 |
| Equipment, net of depreciation (Notes 1,3,8) | 7,451 | | 7,451 |
| Other assets, (Note 12) | <u>6,690</u> | <u>-</u> | <u>6,690</u> |
| Total Assets | <u>\$ 499,017</u> | <u>\$ -</u> | <u>\$ 499,017</u> |
| Liabilities & Net Assets | | | |
| Liabilities | | | |
| Liabilities (Note 1 & 2) | \$ 315 | \$ - | \$ 315 |
| Deferred revenue (Note 3) | - | | - |
| Scholarship awards payable (Note 10) | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | 315 | - | 315 |
| Unearned revenue (Note 3) | - | - | - |
| Net Assets | | | |
| Unrestricted | 498,702 | - | 498,702 |
| Temporarily restricted (Note 1 & 4) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Assets | <u>498,702</u> | <u>-</u> | <u>498,702</u> |
| Total Liabilities and Net Assets | <u>\$ 499,017</u> | <u>\$ -</u> | <u>\$ 499,017</u> |

Internally prepared without audit. See notes to financial statements.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Statement of Revenue, Expenses & Other Changes in Net Assets - Cash Basis

For the Year Ending August 31, 2011

| | <u>General</u> <u>Assets</u> | <u>Officials</u> <u>Fund</u> Temporarily <u>Restricted</u> | <u>Total</u> |
|--|---------------------------------|--|-------------------|
| Net Assets | <u>Unrestricted</u> | | |
| <u>Revenue</u> | | | |
| Registration dues (Note 1 & 3) | \$ 305,535 | | \$ 305,535 |
| Officials fund revenue (Note 4) | 0 | 1,602 | 1,602 |
| Sanction fees & meet surcharges (Note 3) | 125,746 | | 125,746 |
| Net gain on sale of assets | 2,246 | | 2,246 |
| Equipment rental (Note 8) | 7,710 | | 7,710 |
| Interest and other income (Note 11) | 2,938 | | 2,938 |
| Miscellaneous fees and reimbursements | 5,983 | | 5,983 |
| Interdepartmental allocation | <u>0</u> | <u>14,179</u> | <u>14,179</u> |
| Total Revenue | 450,158 | 15,781 | 465,939 |
| <u>Required payments to affiliates</u> | | | |
| Membership payments to USA Swimming | <u>240,146</u> | <u>0</u> | <u>240,146</u> |
| Revenue after required payments | 210,012 | 15,781 | 225,793 |
| <u>Expenses</u> | | | |
| Office and administrative expenses | 47,050 | 2,201 | 49,251 |
| Professional Fees (Note 11) | 11,846 | | 11,846 |
| Office rent (Note 9) | 13,409 | 950 | 14,359 |
| Training, convention and travel | 4,692 | 6,940 | 11,632 |
| Athlete camps and event expense | 3,714 | | 3,714 |
| Wages, salaries and related taxes | 55,241 | 2,498 | 57,739 |
| Scholarships (Note 10) | 4,000 | | 4,000 |
| Equipment repairs and storage (Note 8 & 9) | 7,644 | | 7,644 |
| Program expenses including enhancements | 12,969 | 3,192 | 16,161 |
| Depreciation and interest (Note 1) | 8,072 | | 8,072 |
| Interdepartmental allocation | <u>14,179</u> | <u>-</u> | <u>14,179</u> |
| Total expenditures | 182,816 | 15,781 | 198,597 |
| Increase (Decrease) in Net Assets | <u>27,196</u> | <u>-</u> | <u>27,196</u> |
| Net Assets at Beginning of Year | <u>471,506</u> | <u>-</u> | <u>471,506</u> |
| Net Assets at End of Year | <u>\$ 498,702</u> | <u>\$ 0</u> | <u>\$ 498,702</u> |

Internally prepared without of audit. See notes to financial statements.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2011

Note 1. Significant Accounting Policies

Nature of Activities

Arizona Swimming, Inc. (the "Organization") is an Arizona Not-for-Profit Corporation. The Organization is a member of USA Swimming, Inc. ("USAS") and as such, holds a designation as a Local Swimming Committee ("LSC"). In 1981 the Internal Revenue Service granted the Organization tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

USAS is the national governing body for competitive swimming in the United States. USAS was formed in 1978 with the passage of the Amateur Sports Act that specified that all Olympic Sports would be individually administered. In addition to the formulation and implementation of rules, policies and procedures, USAS, through a wholly owned subsidiary, provides general liability and excess liability insurance for its member clubs, member athletes and certain member non-athletes. USAS also provides its members with certain excess accident medical insurance through a third party insurer.

Currently, 59 Local Swimming Committees administer USAS activities within defined geographic areas. The Organization's defined geographic area is Arizona. As a result of its membership, the Organization is entitled to participate in the annual USAS House of Delegates meeting that decides on matters of rules, policies and procedures for the sport of amateur swimming in the United States.

All athletes training or competing in competitive swimming must be a currently registered member of Arizona Swimming / USA Swimming. Additionally, certain non-athletes who are either officials, coaches or hold other administrative positions within the various clubs or the Organization are required to be members of Arizona Swimming / USA Swimming and to complete certain safety, first-aid and background screenings along with other training.

As of the fiscal year-end, the Organization had 43 year-round clubs. Additionally, the Organization had 5,256 individual members, of whom 4,721 were athlete members and 535 were non-athlete members such as coaches, officials, and volunteers. This represents an increase in athlete members of 215, or 4.8%, and a increase in non-athlete members of 25, or 4.7% over the last fiscal year.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This method differs from generally accepted accounting principles primarily because the Organization has not recognized any memberships or fees receivable, accounts payable to vendors and their related effects on the change in net assets.

Basis of Presentation

Financial statement presentation follows recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2011

Note 1. Significant Accounting Policies (continued)

to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of year-end, the Organization has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment and Property and Depreciation

It is the Organization's policy to capitalize equipment and property in excess of \$1,500 and depreciate it over its useful life. Equipment and property are stated at cost. The equipment is depreciated over its useful life using a declining balance method with an average asset life of five years. This method is similar to that used for income tax reporting purposes. Current tax law provides for immediate write off of certain capital equipment. The Organization has adopted that methodology for book and tax.

Note 2. Cash & Cash Equivalents, Investments & Banking Relationships

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of year end the Company has no investments other than money market accounts.

Currently, all funds are in financial institutions located in greater Phoenix area. All institutions at which funds are deposited are insured by the Federal Deposit Insurance Corporation. See Concentration of Risk. (Note 7).

The Organization has an unsecured credit card line with a maximum credit line of \$25,000 with a financial institution in Phoenix, Arizona. The line of credit is renewable annually and calls for certain minimum monthly payments and provides for interest to accrue on the outstanding balance at a rate of 12.5% if funds have been drawn against the line of credit and are outstanding for more than 25 days. As of the end of the fiscal year there was a balance outstanding of \$1,019. Subsequent to year-end, that entire balance was paid within the grace period. Subsequent to year end, the Organization renewed this line of credit.

The Organization has entered into an agreement with a Phoenix based financial institution for a \$25,000 unsecured line of credit. Terms of the agreement provide for advances at the discretion of the Organization. Interest is payable on a monthly basis. Outstanding advances against the line of credit bear interest rate of 5.15%. As of year end there were no outstanding balances against the line. The line of credit will expire on September 11, 2011. Subsequent to year end, the Organization renewed its line of credit.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2011

Note 3. Membership Dues, & Various Other Revenue

Membership Dues

The Organization collects annual memberships throughout the year, although the majority of the membership dues are received in the fall in the form of athlete, club and non-athlete membership dues. Annual memberships purchased after September 1 of each year also provides membership for the next calendar year. During the year just ended, annual athlete memberships are \$59 of which the Organization retains \$12. Athlete and Club seasonal memberships are available for a period of not more than 150 days. All memberships expire on December 31.

Because the Organization prepares its financial statements on a cash basis, the Organization does not defer income from membership fees and recognize it over the period to which the dues and fees apply.

A substantial portion of all membership fees collected by the Organization are payable to USA Swimming for membership by clubs, athletes and non-athletes in the national association.

Membership dues are payable by the Organization to USAS on behalf its members only upon receipt of membership registrations payments from the clubs, athletes or non-athletes. No liability for dues to USAS exists prior to the receipt of membership dues from members. As of year-end, the Organization had no material memberships due to USAS.

It is anticipated that this source of income will continue in the future.

Sanction and Surcharge Revenue

The Organization, in its capacity as the LSC, is responsible for sanctioning or approving swimming competitions. Generally, clubs registered with the Organization pay a fee for the issuance of the sanction or approval and each athlete participant will pay the Organization a surcharge to be entered in the competition. During the fiscal year ended August 31, 2011, the Organization generally charged \$50 for a sanction or approval and \$5 for each athlete registered in a competition.

Subsequent to the conclusion of sanctioned events, the Clubs have 21 days to remit funds due to the Organization. As of year-end, no receivables which would have a material effect upon these financial statements existed.

This source of income is anticipated to continue.

Note 4. Temporarily Restricted Assets

Officials' Fund

The Officials' Fund receives one half of funds collected for time trials at sanctioned competitions. This revenue is restricted to use in the Officials' Fund. During the year just ended such time trials provided \$1,601 in income for the Officials' Fund. The company's general fund provided \$14,179 of additional funding for the Officials Fund.

The Officials' Fund supports training of local officials as well as certain travel expenses of Officials to various national conferences, workshops and other special swimming events. The Officials' Committee of the Organization is responsible for selecting the conferences, workshops

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2011

or event and the participants. During the past year, the Officials' Committee undertook a series of symposiums to improve technical competence as well as communications between the various officials. During this past year the Officials' Fund relied on allocation of funds from the Organization general fund for much of its operations. It is anticipated that this level of support from the Organizations general fund will continue.

Note 5. Income Taxes

As a result of the determination by the Internal Revenue Service that the Organization is tax exempt within the meaning of Section 501(c)(3) of the Internal Revenue Code, no provision for income taxes has been provided. In addition, the Organization qualifies for charitable contributions deduction under Section 107(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Note 6. Donated Services

Generally, under the terms of SFAS No. 116, *Accounting for Contributions and Contributions Made*, an organization would record the value of specialized services performed by its volunteers that would otherwise be purchased. Because of the use of the cash basis of accounting, no amounts have been reflected in the financial statements for donated general services. Many individuals volunteer their time and perform a variety of tasks for the Organization including various committee assignments, administrative duties and officiating at meets of various levels.

Additionally, certain professionals donate legal, accounting and tax services to the Organization. These professionals receive no compensation for their services other than reimbursement of certain out of pocket expenses. The value of these services for this year is estimated at \$3,000. While not reflected in the financial statements, this support is expected to continue.

Note 7. Concentration of Credit Risk

The Organization maintains its cash balances in two financial institution located in Phoenix, Arizona. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. At year-end the Organization effectively had no uninsured cash balances. The Organization has no other significant concentrations of credit risk.

Note 8. Equipment and Equipment Rental

The Organization owns and maintains an extensive array of electronic timing equipment. The sole use of such equipment is the administration of swim meets. For a nominal fee, this equipment is available to any team for use in competitions hosted by that club. This equipment is also used at certain competitions run by the Organization. Major purchase of such equipment are

Arizona Swimming, Inc.

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Footnotes to Financial Statements

August 31, 2011

Capitalized while certain expendables such as cables etc. are expensed as a period expense.

Note 9. Operating Leases

The Organization leases storage facilities in Tempe, Arizona from an unrelated third party for storage of the electronic timing equipment and other supplies. The lease for this facility is an operating lease. The lease is for a period of 1 year. Current rental expenses for that lease were \$1,742.

The Organization leased office space in Phoenix, Arizona from an unrelated third party. The lease for the property is an operating lease with a term of one year with an expiration date of December 2011. For the year ending August 31, 2011 rental expenses on this lease was \$14,349. Subsequent to year end additional total remaining obligations under this lease are \$4,720. All remaining obligations under this lease are due within the next fiscal year. It is expected this expense will continue.

Note 10. Scholarships

The Organization has a college scholarship fund whereby it may award four unrestricted \$4,000 college scholarships to athletes who have participated in competitive swimming for two years and are not going to continue their swimming at the NCAA Division I or II level. The scholarships are awarded to graduating High School Seniors by a committee appointed by the General Chair based upon applications for such scholarships as made by the athletes and reviewed by a committee. During the fiscal year just ended, \$4,000 in scholarships were awarded. It is expected that this program will be continued.

Note 11. Interest Income

During the past fiscal year the Organization earned \$2,938 in interest on its investments. During such time all funds were FDIC insured. It is anticipated that this income will continue.

Note 12. Meet Standardization

During the current year, the Organization acquired medals for the State Championship and Regional meets. These medals were purchased for a two year cycle. Host Clubs are required to purchase the medals for these meets at cost plus freight. As of year just ended, the Organization has \$4,008 in medals for next season. The Organization also maintains an inventory of officials attire. As of year end the Organization had \$2,682 of such attire.

Note 13. Professional Fees

During the year certain action by the Arizona Swimming Board of Review was appealed to the USA Swimming National Board of Review. This action required the Organization to retain counsel to represent it in this matter. Fees for this representation were \$10,000. During the year the Organization also retained counsel to property records certain trademarks, trade names and copyright certain publications. It is not anticipated that these expenses will continue.



2010/2011 Board of Directors

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