

Arizona Swimming, Inc.TM

Annual Report to Membership

State of the
Sport

Management
Discussion &
Analysis

Financial
Statements
for the fiscal
year ending
August 31,
2007

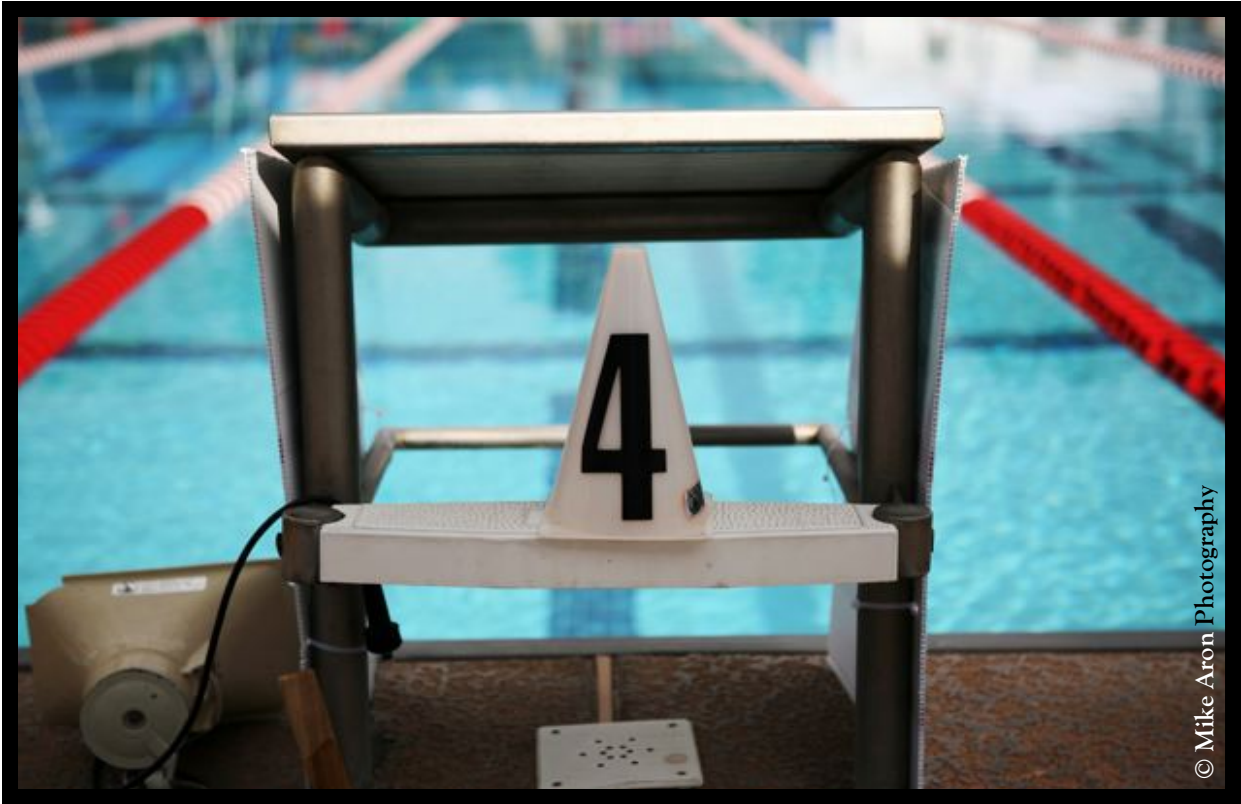
Arizona Swimming Contact Sheet

2007 / 2008 Officers & Directors

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Report of the General Chair to the House of Delegates

STATE OF THE SPORT

Every organization must set goals and objectives for direction, Arizona Swimming is no different and since November 2004 we have published our strengths and weaknesses in an annual State of the Sport Statement. By constantly reevaluating ourselves we can begin to focus our efforts toward issues which will most effectively address our concerns. Since Arizona Swimming reports to USA-Swimming it is appropriate that we look to National for some of our objectives and work for ways to coordinate efforts therefore the stated Goals are similar.

Arizona Swimming Goals

Membership
Education
Volunteers

USA Swimming Core Objectives

Build the base
Promote the sport
Achieve competitive success

During the past 13 months AZSI accomplished the following tasks:

- Swimposium in April 2007 offered 9 different sessions directed at different interest groups
- Third annual Awards banquet with Amy Van Dyken the keynote speaker
- More than fifteen Officials training clinics across the state including Phoenix, Yuma, Tucson and Flagstaff
- Communication system for Officials via the web database; the AZSI idea was adopted Nationally
- Marketed our sport with specialty bottled water available for sale to clubs and individuals
- High School State Championships coverage with 5 Separate meets in 2007 including 21 Regionals meets across the state; used our involvement in the event as a recruiting event with fliers for club swimming available at Regionals.
- Reinstated the Senior Season ending meet for March and July opened the meet to out of State Teams
- Added additional volunteer awards
- Awarded 4 college scholarships
- Upgraded and maintained equipment

Membership: While we were very busy and accomplished a great deal in the past several years, there continue to be challenges. Since the 2000 census, Arizona's population estimates indicate a 20.2% increase with 26.6% of the population base under 18 years of age. However, both Arizona Swimming athlete and non athlete membership numbers have remained flat for more than a decade reflecting only a very slight peak in 1998. Unfortunately it would appear Arizona Swimming is not alone, the trends for Arizona Swimming follow the National trend of static membership. We must collectively examine how that will ultimately impact our sport both locally and nationally and jointly look for ways to redirect those trends.

Officials: Given the membership numbers, as one might expect, AZSI continues to struggle with a lack of volunteers and Officials. Our membership survey in 2004 indicated our population base is upper middle class well educated families who prefer to write a check rather than volunteer. Unfortunately, our system is strongly based on volunteers. Aside from building the athlete membership base one of our most urgent concerns is building our volunteer base.

12% of the Officials have no club affiliation; most of those are experienced Referee "Graduate" Officials
29 clubs representing 1840 athletes have 3 officials or less and 21 clubs have no officials
13 clubs have 100+ registered year round athletes,
32% of the total athletes belong to 4 clubs; these 4 clubs have 55% of the affiliated Officials
8 clubs, with 44% of the total year round athletes, have 76% of the Official

We need every club to begin actively recruiting and training Officials. Our Non-athlete members have declined 15% since 1998. Two years ago the board approved the Graduated Officials' Policy which pays the USAS membership for Officials who no longer have athletes; we believe no Official should have to "pay" to volunteer.

Report of General Chair to House of Delegates: State of the Sport, cont'd

To that end, we are implementing an “adoption policy” for our Graduate Officials. We hope this will improve the retention rate of our officials while allowing clubs to show these dedicated volunteers how very valuable they are to our membership. We believe the local clubs will be better able to establish a close relationship with these mentor Officials and hopefully this relationship will show these dedicated volunteers, some of our most experienced Officials, how highly they are regarded. Our Officials ranks are graduating as their athletes move through the program. With a larger portion of our volunteer officials graduating and leaving the program it becomes more important that ever that we keep these volunteers while recruiting new Officials to step forward. The Graduate Official policy has worked well but it is time to take this policy one step further.

Programs: This past year we looked for programs that would be most beneficial to our athletes. AZSI reinstated senior season ending meets which was extremely well received. We hope to expand this meet and attract athletes from neighboring states to attend this year. AZSI established a newly designed fall league which had some glitches initially but provided great competition for our age group athletes while the senior athletes competed in high school meets. The financial statement shows we are in great financial shape and we can afford to spend money on the programs. You will note is we have spent very little money on actual programming in the past several years. We need to establish programs which will positively impact our athletes but we will need plans and ideas generated through our athletes, coaches and clubs.

Athlete Committee: We are establishing an athlete committee to give more input from those members we serve. Legislation passed at the most recent National Swimming Convention would require more athlete participation than traditionally done. This new committee will allow us to better comply with the Amateur Athlete Act and allow interested athletes to have a larger role in determining the programs and direction of our sport. The involvement of additional athletes on various committees will signal new and very valuable insight into the direction we will go. Who is in a better position than our athletes to identify programs their peers will enjoy?

Many of our goals from last year have proven to be a bit more challenging than we initially anticipated. The web has been an effective communication tool. Our web is regularly updated; unfortunately it has been frequently hacked and pirated. The web has been one of our most challenging issues. We are finally on the home stretch to a new and improved more effective, user friendly website.

Our goals for 2008 and beyond:

- Look for additional ways to market our program to new athletes and provide programming which will encourage our registered athletes to stay within the organization.
- Provide a greater variety of meets to ensure all ability levels have access to age appropriate competition, short fun and appealing meets for developmental athletes.
- Seek additional opportunities for top level competition
- Investigate options to replace the summer Zones competition
- Look for additional ways to offer travel funding opportunities for our athletes, through sponsorships and fund raising on a larger scale.
- Continue to offer Athlete, Parent, Coach and Official education opportunities.
- Increase our efforts to appreciate our volunteers at the club level and statewide.
- Redesigned the web to focus on the various clubs and continue to provide vital information to the membership adding a shopping cart to serve the membership registration efforts

With active participation from every person we can accomplish all of these goals but we will need cooperative actions to proceed. This spring will bring substantial change within the program as many of our long standing volunteers begin to faze out. Arizona Swimming members cannot continue to watch passively it is time to take some aggressive actions.

Joy Russell
General Chair

Report of the Age Group Chair to the House of Delegates

Change was a feature of Arizona Swimming in 2007. As we move forward into an Olympic year it is clear that we need to refine what we are doing to serve the needs of Arizona swimmers. We can and must help our athletes get the most out of our sport.

This year we revitalized the State Championship meet by adding senior swimmers to the short course session, re-centering the qualifying times and continuing with a consolation final at both Short Course and Long Course State Championships. We made major changes to the fall league format. Most importantly we were not afraid to fail.

We had no misconception that every change we made would work perfectly the first time and we are open to addressing the needs that arise with the modifications that have been made.

Goals for 2008:

Promote exciting competition

A new Fall League format was tried this fall. Although the concepts were good, there were bumps along the way with the format. Everyone involved in the process worked together to make some positive changes as the season went on. As we plan the format for the fall of 2008 it is clear that more change is needed and all input will be considered.

Provide meets that serve the membership

A major change in the philosophy of the meets was developed. Rather than have the technical committee design meet formats and anoint meet weekends the Board decided to grant clubs the flexibility to design and schedule meets that would best serve the needs of the swimmers. The goal was to create more communication among teams. We expect there to be some bumps in the road, but we feel that this type of scheduling will eventually lead to the best opportunities for swimmers in the state.

Continue to involve the whole state

We aren't "Phoenix Area Swimming" but Arizona Swimming. Many of the new teams in our LSC are from cities outside the metro Phoenix area. We need to promote our sport throughout Arizona and develop meets that would offer fun travel opportunities for our swimmers and a chance for outlying areas to gain more of a stake in Arizona Swimming by hosting meets. The beginnings of a Northern Circuit of meets was initiated in the fall of 2007 and the foundation has been laid for a dynamic new series of meets in Arizona.

While serving a membership of swimmers with diverse backgrounds, goals, talent, and commitment levels we will continue to offer programming that will help all clubs to build the base, inspire kids to achieve their goals, and set them up for success in and out of the pool.

Joe Zemaitis
Age Group Chair

Senior Swimming Report to the House of Delegates

It is hard to believe that the year 2007 is almost behind us. As I reflect upon the year, I often wonder if we are headed in the right direction or doing all we can to make senior swimming in Arizona the very best it can be.

Thoughts such as these must be acknowledged in the light that the Local Swim Committee can only do so much as a volunteer organization. Sometimes we want ideas and programs to progress faster than is possible. While we could list many positive and negative things about Arizona senior swimming, allow me to highlight just a few of each.

No one can argue that we have seen some incredible swims this year. Topping the list are a number of noteworthy performances from Caitlin Leverance, along with a slew of high school records falling at this year's high school state championships. Our coaches continue to produce great results with little resources yet big ambition.

I am also happy to report that we have reintroduced an old-fashioned concept called "Arizona Senior State Championships". Yes, you probably remember this venerable meet of the past. We pulled off both a spring and summer championship this year and we hope to continue this formerly long-standing tradition into 2008. While this meet has yet to attract the best talent in the state, it still served many of our senior athletes.

Unfortunately, while the Northwest Sectional swim meet remains a popular phenomenon in the world of swimming, it has destroyed our ability to host a true state championship. As a result of the timing of this meet, we have lost track of many of our Arizona Swimming state records, in-state rivalries, and high level competition within our own state.

I applaud our coaches for their hard work and dedication to our sport. However, I also admit that it will take a combined effort from all senior coaches in this state to bring their ideas to the table - with an attitude of support - for the greater good of Arizona swimming. We must all have the common goal of helping Arizona regain its reputation as an exciting place for great swimmers to truly showcase their talent.

David Tait
Senior Chair

Athlete Representatives Report to the House of Delegates

We would like to thank Caroline Walls for her contribution to AZ swimming as Athlete Representative for the past 2 years and for representing AZ swimmers. She did a great job and will be missed.

Katie Herriot and Julia Craddock both attended the USA Swimming convention held in California in September. We found it to be a valuable experience meeting people from all over the country who are involved with the sport, and we got a look inside how USA Swimming is run on a national level.

We have learned a lot about how AZ swimming is run locally and how much time, thought, and effort goes into each decision made by the AZ swimming board.

In the upcoming year our focus as Athlete Representatives will be on trying to get more athletes involved with AZ swimming as mandated by USA Swimming. We hope to see many more get involved!

Katie Herriot & Julia Craddock
Athlete Representatives

Coaches Representatives Report to the House of Delegates

Risk Management

A focal point for the 2008 season for coaches is going to be risk management. In recent months, USA Swimming has increased its efforts to define and provide awareness of risk management to clubs and coaches. Clubs and coaches can easily decrease their risk by being sure that all coaches and athletes are currently certified by AZ Swimming and USA Swimming.

It is of paramount importance that each club take the requirements of coach and athlete registration very seriously. It has recently been made aware to the board that there are several myths regarding coach certifications. The “line of sight” approach is a myth and does not satisfy the requirements of USA Swimming Insurance. Additionally, there is no grace period to renew your registration. Once a certification has expired, that coach may no longer participate in coaching activities at that time.

In 2008, AZ Swimming’s Coaches Committee will host recertification opportunities for our members. We recommend that each club has their coaches certified at the same time for the sake of simplifying the clubs ability to recertify in the future. AZ Swimming will also be mailing clubs and coaches when their certifications are nearing their expiration date so all parties will know and can schedule certification opportunities.

Participation in Governance

AZ Swimming is a cooperative organization drawing on ideas from its membership to solve problems. The Coaches’ Reps are going to encourage increased participation in governance of the organization. There are many opportunities to participate, from committees to the House of Delegates but in order for AZ Swimming to thrive, we need the thoughts and ideas of more of our members.

Future of Officials

AZ Swimming is in a position where many officials have children that are older and may not continue to officiate once their children no longer participate. We have a very active group of officials who do not have any children participating in AZ Swimming sanctioned meets. The Coaches’ Reps encourage all clubs and coaches to reach out to their membership to recruit new officials to train and become involved. Without new officials, we may not be able to effectively host as many quality meets.

Joe Fanthorp and Matt Rankin
Coaches’ Representatives

Management's Discussion & Analysis for Fiscal 2006

As of August 31, 2007 AzSI had total assets of \$317,292 of which \$307,764 is held in the form of cash or investments. Of those assets, none were Temporarily Restricted as part of the Officials Fund. Also as of August 31, 2007 AzSI General Fund had \$9,000 in liabilities and \$308,292 in Net Assets of which \$308,292 represents the Net Assets of the General Fund.

Membership:

During the fiscal year just ended membership remained stagnant, losing just over 100 athletes during that period. Program spending continued to languish behind budgeted amounts.

As of August 31, 2007 AzSI had 3,617 total athlete members, as compared to 3,724 and 3,254 at the end of fiscal 2006 and 2005 respectfully.

As of August 31, 2007 AzSI had 383 non athlete members as compared to 389 and 382 at the end of fiscal 2006 and 2005 respectfully. Non-athlete members include all coaches, officials and certain other volunteers.

As of August 31, 2007 AzSI had 37 year round clubs and four seasonal clubs. During fiscal 2006 and 2005 respectfully, there were 37 year round clubs, 5 seasonal clubs and 1 organizations and 39 clubs, 4 seasonal clubs and 2 organizations.

While athlete membership is up in the last few years membership is still regained the levels of 2000 . The year 2000 continues to be the peak of membership when Arizona had a total of 3,826 athletes, 398 non-athletes and 40 clubs. The population of the state of Arizona continues to show significant growth AZSI membership has not kept up.

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 \$196,407 in total membership fees of which it passed \$165,521 through to USA Swimming.

During fiscal 2005 the expenses attributable to the production of the membership income were \$38,599 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. AzSI House of Delegates in May 2007 passed an increase in fees that will effectively cover administrative costs of the registrations function. 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 72 sanctions and / or approvals, collecting \$2,192 in revenue.

Administration, continued

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 \$83,668 for such 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

During the fiscal year just ended AzSI, its Officers and Directors have continued the drive to reduce general administrative expenses and allocate those funds to age group and senior swimming program operations. AzSI did spend substantially more during the fiscal year just ended for staff wages, taxes and office expenses.

AzSI expects its level of expenditures for administration to level off at approximately the current levels with the exception of those expenses related to redesign of the web page and other communication mediums.

During the year just ended, AzSI's expenditures exceeded revenue resulting in a net increase in Net Assets by \$111. The approved budget for the year ending August 31, 2008 shows a substantial 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 and State Championship meets hosted by various Clubs are entitled to reimbursement of up to, in the case of State Championship meets, \$2,500 and regional meets \$500 each for extra costs incurred to enhance these meets. Reimbursement requires submission of receipts for actual expenditures. No club spent over the amount for which they could claim reimbursement; some clubs spent substantially less than what they could claim for reimbursement.

For fiscal 2006 total income, including interdepartmental allocations, for Age Group Swimming was \$35,510.

For fiscal 2006 actual expenditures on behalf of Age Group Swimming were \$3,375 in meet enhancements, \$12,161 for camps and athlete recognition banquet. As of year end a balance of \$12,202 was available but unspent. Available and unspent do not carry over to subsequent years.

Funding for the Age Group program in 2007-08 has been decreased slightly. It is hoped that new programs will be developed to expend the funds budgeted for Age Group Swimming.

Athlete Programs, continued

Senior Swimming

During the year just ended the Senior Swimming continued its program of meet enhancements for 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 incurred to enhance these meets. The scholarship program provided four \$1,000 college scholarship to AzSI athletes who are graduating seniors, meet certain requirements and are not swimming in a Division I or II NCAA program in college.

For fiscal 2006 senior programs had budgeted \$32,510 for expenditures. Actual expenses totaled \$23,708 of which \$9,856 was for camps, swimposium and athlete recognition banquet; \$4,000 for scholarships and \$4,395 for meet enhancements. At year end, \$8,802 remained unspent. Funds available and unspent do not carry over to subsequent years. Funding for the Senior program in 2007-08 has been decreased slightly. It is hoped that new programs will be developed to expend the funds budgeted for Senior Swimming.

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. Those negotiated rates are substantially higher than those charged members and approximate the fair value rental of that equipment. Approximately 36% of the \$11,550 of revenue from equipment rental came from rentals to non-members. During the year just ended equipment expenses after depreciation, were \$5,083 or \$6,467 less than rental revenue collected. The largest single expenditure, outside of major equipment replacements and repairs of \$2,755, was \$1,821 for rented storage facilities. AzSI had budgeted \$8,550 for the fiscal year. 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 meets and certain other meets such as High School State Championships. The Fund received revenue from the AzSI general fund, certain non-member organizations which hire the officials, time trials and certain contributions. During this fiscal year, in excess of 92% or \$6,000 of the \$6,520 of total revenue came from revenue from non-member organizations. During this year the general fund allocated \$6,017 to the Fund from the General Fund. Funding for the Officials program in 2007-08 has been decreased.

Contingent Liabilities

Threatened Litigation

The Organization has been informed of a potential litigation / claim arising out of a Board of Review action. The Organization does not have sufficient information at this date to quantify the potential monetary exposure to the Organization, net of insurance recoveries, if any.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Cash Basis Financial Statements

For the Year Ended

August 31, 2007

Arizona Swimming, Inc

(an Arizona Not-for-Profit Corporation)

Statements of Assets, Liabilities & Net Assets - Cash Basis

August 31, 2007

Assets	General Assets	Officials Fund	Total
Cash (Notes 1,2,5 & 7)	\$ 24,468	\$ -	\$ 24,468
Investments (Notes 2 & 7)	283,291		283,291
Equipment, net of depreciation (Notes 1,3,8)	9,333		9,333
Other assets	<u>200</u>	<u>-</u>	<u>200</u>
Total Assets	<u>\$ 317,292</u>	<u>\$ -</u>	<u>\$ 317,292</u>
 Liabilities & Net Assets			
Liabilities			
Liabilities (Note 1, 2 & 11)	\$ 9,000	\$ -	\$ 9,000
Deferred revenue (Note 3)	-		-
Scholarship awards payable (Note 10)	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	9,000	-	9,000
Unearned revenue (Note 3)	-	-	-
 Net Assets			
Unrestricted	308,292	-	308,292
Temporarily restricted (Note 1 & 4)	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets	<u>308,292</u>	<u>-</u>	<u>308,292</u>
 Total Liabilities and Net Assets	 <u>\$ 317,292</u>	 <u>\$ -</u>	 <u>\$ 317,292</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, 2007

	General <u>Assets</u>	Officials <u>Fund</u>	<u>Total</u>
Net Assets	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	
<u>Revenue</u>			
Registration dues (Note 1 & 3)	\$ 196,407		\$ 196,407
Officials fund revenue (Note 4)		6,520	6,520
Sanction fees & meet surcharges (Note 3)	85,860		85,860
Swimposium, training and camp revenue	3,744		3,744
Equipment rental (Note 8)	11,550		11,550
Interest and other income	18,050		18,050
Contributions (Note 6)	5,700		5,700
Interdepartmental allocation	0	6,017	6,017
Total Revenue	321,311	12,537	333,848
 <u>Required payments to affiliates</u>			
Membership payments to USA Swimming	165,521	0	165,521
Revenue after required payments	155,790	12,537	168,327
 <u>Expenses</u>			
Office and administrative expenses	23,561	35	23,596
Web page design and maintenance	6,267	73	6,340
Office rent (Note 9)	9,830	154	9,984
Training, convention and travel	11,934	3,872	15,806
Athlete banquets, swimposium and camps	22,509		22,509
Wages, salaries and related taxes	38,504	984	39,488
Scholarships (Note 10)	4,000		4,000
Equipment repairs and storage (Note 8 & 9)	5,235		5,235
Program expenses including enhancements	19,392	7,419	26,811
Depreciation and interest (Note 1)	8,652		8,652
Interdepartmental allocation	6,017	-	6,017
Total expenditures	155,901	12,537	168,438
Increase (Decrease) in Net Assets	(111)	-	(111)
Net Assets at Beginning of Year	308,403	-	308,403
Net Assets at End of Year	\$ 308,292	\$ 0	\$ 308,292

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, 2007

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 and member 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.

As of the fiscal year-end, the Organization had 41 year round or seasonal clubs. Additionally, the Organization had 4,000 individual members, of whom 3,617 were athlete members and 383 were non-athlete members such as coaches, officials, and volunteers. This represents an decrease in athlete members of 107 and a increase of 6 non-athlete members over last fiscal year. 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.

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, 2007

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. The Company has one Certificates of Deposit which mature within the current fiscal year and has invested certain other funds through a Phoenix financial institution . Those funds remain completely insured by FDIC. The Company has no other 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 \$32,500 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 \$1,530. Subsequent to year-end, that entire balance was paid within the grace period.

The Organization has entered into a Agreement with a Phoenix based financial institution for a \$15,000 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 8.5%. As of year end there were no outstanding balances against the line. The line of credit expired on August 31, 2007.

Subsequent to year end, the Organization renewed its line of credit and increased the available balances to \$25,000.

Arizona Swimming, Inc.

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Footnotes to Financial Statements

August 31, 2007

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 November & December in the form of athlete, club and non-athlete membership dues. Annual memberships purchased after September 30 of each year also provides membership for the next calendar year. Annual athlete memberships are \$50 of which the Organization retains \$7. Athlete and Club seasonal memberships are available for a period of not more than 150 days. All memberships expire on December 31. The House of Delegates authorized an increase in registration fees for fiscal 2007. The Organization will retain \$12 from the new fee.

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 swimming competitions. Generally, clubs registered with the Organization pay a fee for the issuance of the sanction and each athlete participant will pay the Organization a surcharge to be entered in the competition. During the fiscal year ended August 31, 2007, the Organization generally charged \$50 for a sanction 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 Organization's Officials' Fund receives revenue from its participation in certain non-sanctioned competitions, such as High School State Championship. 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. The Organization received \$6,000 revenue from High School State Championships, it is uncertain whether that income will continue past the current year.

Subsequent to year end, the Organization negotiated an agreement to staff the High School State Championship meets at substantially higher fees.

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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 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 \$5,000. This is reflected in the financial statements and such support is expected to continue.

Note 7. Concentration of Credit Risk

The Organization maintains its cash balances in a financial institution located in Phoenix, Arizona. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At year-end the Organization's effectively had no uninsured cash balances. The Organization has no other significant concentrations of credit risk.

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Footnotes to Financial Statements

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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. Because of the very nature of this sensitive electronic equipment, the Organization invests considerable amount of money and time in its maintenance.

Because of this and the unpredictable useful life of certain equipment, the Organization has recorded certain ancillary equipment such as prime cords, cables, microphones, and buttons etc. as permanent assets and has not recorded depreciation on these assets. While the cost of some of these cables etc. is in excess of the Organizations threshold for capitalization, new purchases and maintenance of these cables is 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. For the year ended August 31, 2007 rental expenses for that lease were \$1,821.

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 2007. For the year ending August 31, 2007 rental expenses for this lease were \$13,056.

Subsequent to year end additional total remaining obligations under this lease are \$2,552. All remaining obligations under this lease are due within the next fiscal year.

Note 10. Scholarships

The Organization, has a college scholarship fund whereby it may award four unrestricted \$1,000 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 were awarded to graduating High School Seniors by the Board of Directors 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. This fiscal year's annual scholarships were presented at the Athlete Appreciation Banquet in April 2007.

Note 11. Contingent Liabilities, Threatened Litigation

The Organization has been informed of a potential litigation / claim arising out of a Board of Review action. The Organization does not have sufficient information at this date to quantify the potential monetary exposure to the Organization, net of insurance recoveries, if any.



2007/2008 Fiscal Year Directors

Joy Russell

Kathy Choitz

Greg Dozer

John Degnan

Starre Haney

Joe Zemaitis

David Tait

Matt Rankin

Joe Fanthorp

Julia Craddock

Katie Herriot

Outgoing Directors from 2006/2007

Tim Manley

Franz Resseguie

Caroline Walls