



Arizona Swimming

2012 Annual Report to the Membership

Including...

State of the Sport,
Management Discussion
and Analysis
&
Financial Statements for
the year ending
August 31, 2012

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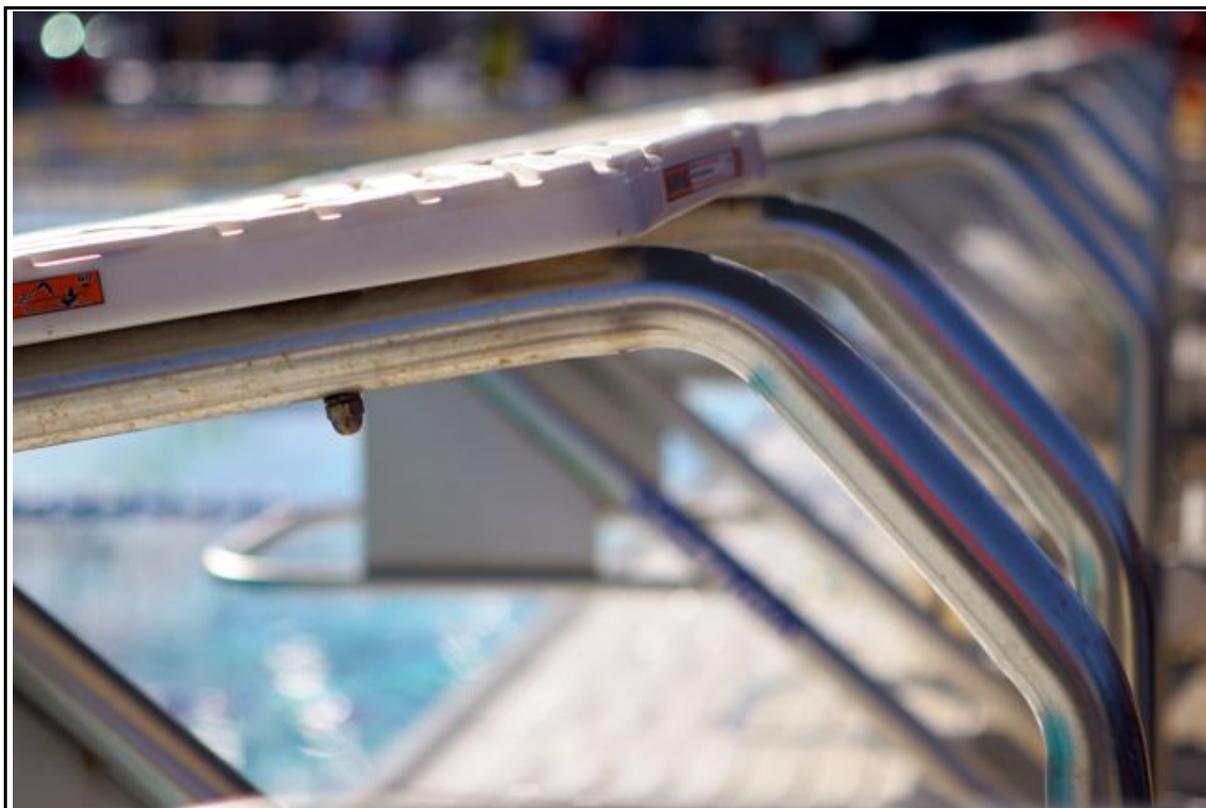
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Arizona Swimming, Inc.

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REPORT OF THE GENERAL CHAIR TO THE MEMBERSHIP

State of the Sport

The accolades of Arizona Swimming over the past four years are abundantly obvious. Arizona Swimming was tasked by USA Swimming with increasing administrative, Safe Sport and reporting requirements while at the same time realizing a 30% increase in our membership over the last four years. The hard work of setting policies, protocols and new programs in place has set the stage for our LSC to move forward. We need to give a heartfelt thanks to those who have prepared the field for our upcoming successes.

As your new General Chair, I envision a bright future for our Athletes in Arizona and I wish to let you know our plans to assist in that future. USA Swimming has provided us with our core goals that also make sense for Arizona. These, include building the base, promoting the sport, and excellence in competition. These core goals translate into action at our LSC but I think we all need to step back and think of the reason why we are here. Success in our sport does not have its base on the LSC, Coaches, Parents or even Officials. Success in our sport is measured based on how our athletes are prepared for life. Swimming is not just a competition, it is a series of life lessons on how dedication and discipline creates opportunity, and that a loss can be turned into gain.

Arizona Swimming's base is building with a projected increase of membership of 10 to 20%. The Olympic bump has been realized with over 1,200 brand new swimmers this year already. Our job now is to keep them and provide sufficient opportunities for our swimmers to compete and to strive to meet those goals set for our championship seasons.

We are continuing to promote our sport to all who are willing to listen. From outreach efforts, to encouragement of our young athletes, to presentation of our competition, Arizona Swimming will endeavor to increase visibility for our sport and add to the excitement of competition. I am dedicated to make our State Championships the main event for Athletes. To do this, we need to endeavor to develop programs in support key elements that I believe lead to success. These include Competitions, Coaches training, Club development, Officials training and Outreach programs.

To assist in improving competition opportunities in Arizona, I have provided more representation in our technical committee by adding the Age Group and Senior Chairs as well as our two athlete members. These, along with coaches and officials that are on the committee make up all aspects from our sport and especially the athlete's view. I am confident that this group of experts will guide our long range competitive plans to the next level. We have four years until the next Olympics and this committee is tasked with developing the competition platform in Arizona that will give the best opportunity for our Athletes to reach for success.

To assist in supporting the growth of our athletes, all committees have been asked to look into additional training programs for Coaches and Clubs. The recent Western Zone Coaches Clinic and Club Development programs held in Phoenix this year has sparked new interest in continuing these types of training events. Arizona has been blessed with a lot of new Coaches and new Clubs. We need to provide additional supportive training that will be used to help our Athletes to achieve.

In support of the need for more opportunities for competition, Arizona Swimming has already implemented a new Officials program to develop strategies, policies and procedures to encourage and train our volunteer Officials. We are dedicated to provide the training and support of our Officials and dedicated to train them to national standards so they may go anywhere and feel welcomed on the deck. We will also encourage our Officials to start training for National Certification. We have several high visibility meets in our future and we will want to have Arizona well represented.

Adaptive and Diversity programs will also be promoted this year. The Western Zone has been noted as way behind the national curve on implementation of these types of programs. I have asked each chair to develop an awareness program this year that will allow more participation by adaptive and underrepresented communities.

In closing, as your new General Chair, I will encourage each and every one of you to get involved, get excited about swimming and persevere to support our sport. If you look around, it is likely that an Arizona Athlete will be a contributor and a possibly an Olympic Athlete. They need our help to get there.

REPORT OF THE EXECUTIVE DIRECTOR TO THE MEMBERSHIP

Athlete membership increased in 2012 by 174 athletes resulting in a total of 4886 athlete members. Non-athlete membership decreased from 519 in 2011 to 496 for the 2012 registration year. 2012 ended with a year round club membership of 42 Year Round Clubs , 2 Seasonal Clubs and one affiliated Organization.

Arizona Swimming was represented at the September 2012 USA Swimming Convention in Greensboro, NC. by Greg Dozer (General Chair), Ron Corbin (Administrative Vice Chair), Starre Haney (Safety Chair), Art Gramer (Officials Chair), John Womack (Athlete Representative) and Paul Jacobs (Athlete Representative). Our delegation watched with pride as Arizona Swimming's Safety Chair, Starre Haney was honored by being awarded the prestigious USA Swimming Adolf Kiefer Safety Commendation Award at the convention for her continuing role in promoting safety for all athletes throughout our swimming community. Starre's design and implementation of the Arizona Swimming Meet Marshal program has received recognition throughout USA Swimming.

Bill Krumm, USA Swimming Sport Development Consultant, for the Western Zone held the Club Leadership and Business Management Class in October of 2011 in Phoenix, It was attended by seven Arizona Swimming clubs. This class satisfies the first year requirement for club membership in USA Swimming.

Congratulations to the three recipients of the 2012 Arizona Swimming College Scholarship competition. The following scholarships recipients were announced at the AzSI House of Delegates held in April 2012: Monica Olloren (WSF), Sarah Bull (SAC), and Sydney Berner (NEP).

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 2012 Club Excellence Program. Phoenix Swim Club and Tucson Ford Dealers Aquatics were recognized as 2012 GOLD Medal Clubs. Sun Devil Aquatics and Scottsdale Aquatic Club qualified for the 2012 Bronze 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 continued under the leadership of Mary Kramer as Officials Chair.

Ron Corbin and Art Gramer were selected by their peers as the Arizona Swimming Volunteers of the Year at the spring AzSI House of Delegates meeting.

Samantha Kramer (NEP) was voted as Age Group Coach of the Year and Charlie Cunningham (ASG) was voted the Senior Coach of the Year. These awards were presented at their respective spring championship meets.

The 2012 registration year required all non-athletes to complete the newly introduced Athlete Protection Training in addition to the Background Screen. The Athlete Protection Training is now available to parents and athletes as a member benefit. Arizona Swimming added the photo ID to the non-athlete identification badges to aid in the pursuit of safety for all Arizona Swimming athletes.

Arizona Swimming continues to strive to provide the membership with the opportunity to reach their full potential in and out of the pool.

REPORT OF THE AGE GROUP CHAIR TO THE MEMBERSHIP

In the beginning of this new quadrenium I find myself asking the same questions as last year; where we have been as a sport in the last four years, where would we like to go as we begin the next four? We have begun to raise the bar on times standards at championship meets, we have begun discussions on zone teams, leagues for younger swimmers, and continuing to raise the bar and see what our kids in AZ Swimming can really accomplish! With some of the successes have come some struggles as well. As we begin under new leadership, reigns have changed hands and plans are being made. As the membership of AZ Swimming work together, WE will help our swimmers achieve to new and higher levels.

It is the plan and the intent of the age group committee to introduce the new fliers for age group swimming, begin plans for 8/10 & Under swimmers, and generally attempt to offer a myriad of opportunities for fast and fun swimming for kids at all levels and abilities within all of our programs. It is important to recognize the shift in time standards and see how the changes implemented for this 2012-2013 series of championship meets impact timelines and numbers prior to making additional changes. While we will never meet 100% of all needs, we do hope that by working together we can find some common ground to stand on that offers options and supports various aspects of swimming in Arizona.

As we move forward it will take the work of us all to work with 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.

In four years I, with my committee, hope we can look back on the progress we have made together, and that we can say that we have given our input (each and every one of us) to build a fun and fast place for swimming to bring the best out of our swimmers. The Age Group Committee in conjunction with the Senior, Coaches, and Technical Committees should be able to work together to hear and address all concerns and to work through a successful four year plan for our swimmers putting their success first.

Samantha Kramer
Age Group Chair

REPORT OF THE SAFETY CHAIR TO THE MEMBERSHIP

This year has been busy primarily with implementation of the Meet Marshal Training program. The training program has been successfully implemented with over 200 individuals completing the training program. Reminder: the training program must be completed well in advance of your swim meets in order to have qualified meet marshals on deck. The office needs time to process the testing results and send out the badges etc. The Arizona Swimming meet marshal policy requires a minimum of two trained/verified meet marshals for small timed final meets and four for prelim-final meets.

As of this report submittal time I have not yet received the Arizona 3rd quarter injury data, nationally though there has been an increase in “near miss events for cervical spine injuries”. As a result, it will be even more important for clubs to have their dive progression documentation current with all of their swimmers.

I received an informational update at convention, regarding the changes in the Swim Coaches Safety training program curriculum. There will be a new course that will be implemented in May of 2013. The new course, administered by the American Red Cross will have first aid included in the content (eliminating a separate first aid course) and will have a classroom and a water skill section. These may be able to be taken in separate sessions. The new course certificate will be good for 2 years. The CPR requirement will require hands on training for adult and child as well as the AED (automatic external defibrillator). There will not be a written test any longer for CPR, but there will be a skills test in the Red Cross course.

2013 activities for the Safety Committee will include:

- Monitor the new Safety Training for Coaches course implementation schedule and will post information on the web as it becomes available in Arizona.
- Review the Meet Marshal training program for updates and a new test that will go into effect at the end of 2013. I plan for a 2 year cycle for the Meet Marshall training/testing program.
- Review injury/accident trends from the national data as well as the Arizona data.
- Review safety equipment on deck at pools used for training as well as swim meets.
- Discuss the dive progression documentation requirements by all clubs.

Thank you for all your hard work in keeping your pools safe!

Respectfully,

Starre Haney
Safety Chair

REPORT OF THE SENIOR CHAIR TO THE MEMBERSHIP

This year we begin the first leg in the new quadrennium. Overall membership continues to grow within Arizona Swimming. In 2009 Arizona swimming was just over 4200 athletes. This year we may well see our first 5000 plus enrollment. Following the guide of the delegates and Arizona Swimming, the senior committee has made changes to the senior agenda to stimulate higher quality competition. These changes include re-formatting the state meet event list, applying a new method of determining qualifying standards, and introducing a senior circuit for Arizona Swimming.

These changes are by no means perfect, rather, the beginning steps to raise senior swimming overall to higher levels of performance over the next four years. Undoubtedly, there will be necessary adjustments as we move forward. Some will be unpredictable, others possibly more predictable. I expect that some areas that will be need our focus will be:

Monitoring the effect of the updated state meet format, which is primarily a competition agenda to support not only the higher-level athletes, but the striving, mid level athletes.

Athlete Retention. With growing numbers, we now need to improve overall retention. As athletes transfer from age group to senior level swimming, they must make important choices, so some attrition is expected. Clubs must strive to create consistency in membership as athletes grow and transfer from age group to senior level swimming.

Scott Lathrop
Senior Chair

MANAGEMENT'S DISCUSSION & ANALYSIS FOR YEAR ENDING AUGUST 31, 2012

As of August 31, 2012 AzSI had total assets of \$510,833 of which \$507,463 is held in the form of cash or near-cash investments. Of those assets, \$10,000 were Temporarily Restricted as part of the Athlete Travel Endowment Fund. Also as of August 31, 2012 AzSI had a total Net Assets in the General Fund of \$500,833 and \$10,000 of Net Assets in Temporarily Restricted funds.

Membership:

During the fiscal year just ended membership remained relatively stable.

As of August 31, 2012 AzSI had 4,886 total athlete members, as compared to 4,712 and 4,502 at the end of fiscal 2011 and 2010 respectfully.

As of August 31, 2012 AzSI had 496 non-athlete members as compared to 519 and 508 at the end of fiscal 2011 and 2010 respectfully. Non-athlete members include all coaches, officials and certain other volunteers.

As of August 31, 2012 AzSI had 42 year-round clubs, 2 seasonal clubs and 1 organization member. During fiscal 2011 and 2010 respectfully, there were 43 and 42 year round clubs, 2 seasonal clubs and 1 organization respectfully.

For the fiscal year ending August 31, 2012 AzSI recorded 1,342 transfers by registered year round athletes from one USA Club to another. Of these transfers 994 were within Arizona. In the fiscal year ended August 31, 2011 AzSI recorded 1,124 transfers of which 814 were within Arizona. During October of 2012 340 year round athletes have transferred clubs. Of those 212 were from within Arizona.

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 \$320,538 in total membership fees of which it passed \$252,604 through to USA Swimming. In the last fiscal year AzSI collected \$305,535 in membership fees and passed \$240,146 through to USA Swimming.

During fiscal 2012, the expenses attributable to the production of the membership income were \$48,897 including depreciation.

By action of the House of Delegates of USA Swimming the registration fees will continue to increase at a rate of \$1 per year. 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 100 sanctions and / or approvals, collecting revenue from those sanctions and approvals. \$6,697 in revenue from those sanctions and approvals.

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 \$125,328 for such surcharges as compared to 2011 when we collected \$117,906 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 generally orders medals for a two year cycle of state championships, regional and other AzSI meets including 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 \$1,681.

During the year just ended, AzSI's revenue exceeded expenditures resulting in a net increase in Net Assets by a total of \$13,754. 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, 2013 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, 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 \$36,550, an increase of \$1,630 over last fiscal year. Actual expenditures including meet enhancements and other program costs were 14,796.

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 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

Athlete Programs, continued

scholarships to AzSI athletes who are graduating seniors, met certain requirements and are not swimming in a Division I or II NCAA college program. During the fiscal year, three \$1,000 scholarships were awarded.

For fiscal year just ended, senior programs had total income, including interdepartmental allocation was \$29,550 a increase of \$2,000 over last fiscal year. Actual expenses including meet enhancements and other program expenses totaled \$21,785 which includes \$10,000 initial funding of Athlete Travel Endowment fund.

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

Athlete Travel Endowment

In April of 2012 the AzSI House of Delegates authorized the initial funding of an Athlete Travel Endowment Fund. The funding of \$10,000 is the initial funding of the endowment portion of the Travel Fund and is not to be used for reimbursement of any travel expenses for athletes and / or others but as the initial finding for the endowment. If the House of Delegates does not, by May 31, 2013, adopt a comprehensive athlete travel funding policy and procedure, including funding sources, the initial finding shall revert to the AzSI General Fund.

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 \$10,357. Revenue for period was \$4,450. 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 \$9,650 of that, \$8,511 of total revenue came from the General Fund and \$1,139 from time trials. It is anticipated that this level of support from the General Fund will continue.

Legal Matters

To the best of the knowledge of the Board of Directors, there are no other legal actions threatened or pending. It is anticipated that from time to time AzSI will engage attorneys.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Cash Basis Financial Statements

August 31, 2012

Arizona Swimming, Inc.
 (an Arizona Non-Profit Corporation)
Statement of Assets, Liabilities & Net Assets - Cash Basis
 For the Year Ending August 31, 2012

Assets	Temporary Funds			Total
	General Fund	Officials' Fund	Athletes' Travel Endowment	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		
Cash (Notes 1,2,5 & 7)	\$ 9,545	\$	\$ 10,000	\$ 19,545
Investments (Notes 2 & 7)	487,918			487,918
Equipment, net of depreciation (Note 1,3 & 8)	2			2
Other Assets	<u>3,368</u>			<u>3,368</u>
Total Assets	\$ <u>500,833</u>	\$ <u>0</u>	\$ <u>10,000</u>	\$ <u>510,833</u>
Liabilities & Net Assets				
Liabilities (Note 1 & 2)	\$ -	\$ -	\$ -	\$ -
Deferred revenue (Note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	-	-	-
Unearned revenue (Note 3)	-	-	-	-
Net Assets				
Unrestricted	500,833			500,833
Temporarily restricted (Note 1,4 & 13)	<u>-</u>		<u>10,000</u>	<u>10,000</u>
Net Assets	500,833	0	10,000	510,833
Total Liabilities and Net Assets	\$ <u>500,833</u>	\$ <u>0</u>	\$ <u>10,000</u>	\$ <u>510,833</u>

Internally prepared without audit. See notes to financial statement.

Arizona Swimming, Inc.

(an Arizona Non-Profit Corporation)

Statement of Revenue, Expenses and Other Changes in Net Assets - Cash Basis
For the Year Ending August 31, 2012

	General Fund			Temporary Funds		Total
	Unrestricted	Officials' Fund	Athletes' Travel Endowment	Temporarily Restricted		
Net Assets						
<u>Revenue</u>						
Registration dues (Note 1 & 3)	\$ 320,538	\$ 1,139	\$ 10,000			\$ 320,538
Officials' Fund revenue (Note 4)						1,139
Athlete Travel Endowment (Note X & 13)	128,876					10,000
Sanction fees and meet surcharges (Note 3)	5,150					128,876
Equipment rental (Note 8)	12,971					5,150
Interest, miscellaneous fees, reimbursements and other income (Note 11)		8,511				12,971
Interdepartmental allocations						8,511
Total revenue	467,535	9,650	10,000			487,185
<u>Required payments to affiliates</u>						
Membership payments made to USA Swimming	252,604					252,604
Revenue after required payments to affiliates	214,931	9,650	10,000			234,581
<u>Expenses</u>						
Office and administrative expenses, including professional fees	43,190	2,288				45,478
Wages, salaries, benefits and related expenses	60,841	2,674				63,515
Training, convention, meetings and other travel	21,136	3,272				24,408
Equipment repairs, storage and small equipment purchases (Note 8 & 9)	15,990					15,990
Program expenses including enhancement and scholarships (Note 10)	27,824					27,824
Office rent and related expenses	13,408	1,416				14,824
Awards, promotion and web site maintenance	11,667					11,667
Depreciation and interest expense	8,610					8,610
Interdepartmental allocations	8,511					8,511
Total expenditures	211,177	9,650			0	220,827
Increase (Decrease) in Net Assets	3,754		10,000			13,754
Net Assets at Beginning of Year	497,079	0				497,079
Net Assets at End of Year	\$ 500,833	\$ 0	\$ 10,000			\$ 510,833

Internally prepared without audit. See notes to financial statement.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2012

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 42 year-round clubs. Additionally, the Organization had 5,382 individual members, of whom 4,886 were athlete members and 496 were non-athlete members such as coaches, officials, and volunteers. This represents an increase in athlete members of 145, or 3.1%, and a decrease in non-athlete members of 23, or 4.4% 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, 2012

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 \$2,500 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 \$608. 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 5.25%. 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, 2012

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 \$60 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 \$1,139 in income for the Officials' Fund. The company's general fund provided \$8,511 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

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or event and the participants. 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.

Athlete Travel Endowment Fund:

During the year just ended the Organization contributed \$10,000 to the Athlete Endowment Fund. Funds are solely for establishment of Athlete Gravel Endowment Fund and such fund has various restrictions. It is uncertain whether any level of support will be maintained. See Note: 13.

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

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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 one year. Current rental expenses for that lease were \$1,892. It is expected this expense will continue.

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 two year with an expiration date of August 2014. For the year ending August 31, 2012 rental expenses on this lease was \$14,159. Subsequent to year end additional total remaining obligations under this lease are \$25,728. Of that \$12,864 is 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, \$3,000 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 \$2,189 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, Regional and other AzSI meets. Generally, 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 \$1,123 in medals for next season. The Organization also maintains an inventory of officials attire. As of year end the Organization had \$2,145 of such attire.

Note 13. Travel Endowment

During the fiscal year just ended, the Organization made a \$10,000 contribution to establish the Athlete Travel Endowment. These funds were not to be spent for travel but were to be used to establish an Endowment. If a Athlete Travel Policy & Procedure, including funding sources, is not adopted prior to May 31, 2013 the Endowment will terminate and the Funds revert to the Organization's General Fund.



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