

2014 Annual Report to the Membership

Including...

State of the Sport,
Management Discussion
and Analysis
&
Financial Statements
for the year ending
August 31, 2014



Arizona Swimming

Arizona Swimming Contact Information Sheet

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Arizona Swimming, Inc.

2014 Annual Report to the Membership

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REPORT OF THE GENERAL CHAIR TO THE MEMBERSHIP

State of the Sport

This past summer was filled with exciting swimming for Arizona.

- Two summer regionals were held with 361 athletes in one section and 384 athletes in the other section.
- 485 athletes participated in Long Course Senior State Championships.
- 684 athletes participated in Age Group State Championships.
- At the Age Group State Championships, 14 new LSC records were set. Approximately 20 other LSC records were set at Far Westerns, Juniors, Nationals, Pan Pacifics, etc.
- 23 different athletes placed in the Top 10 in the Nation.
- 30 different athletes were named to the Scholastic All-American list.
- Already, 26 different athletes have Olympic Trials qualifying times. And those times just came out in September. (Thanks to Grant Sugaski for getting that information posted to our website. Check back frequently for updates.)

Other notable programs and changes:

- We are instituting a program to provide printing for the Championship Meet programs in our office.
- We have printed and have available to you a recruiting brochure to distribute to leagues, high schools, etc.
- The LSC has taken on the responsibility of paying for the awards of the state Championship meets.
- We have issued the first reimbursement checks from our travel fund to the 5 qualifiers.

At this early date, our membership numbers are consistent with those of last year. By December 15 we will have a good indication of the trend in these numbers.

Please remember that everyone's voice matters. We need to hear your opinions and ideas. Help us keep Arizona Swimming headed in the right direction by being involved.

Mary C. Kramer
General Chair

REPORT OF THE EXECUTIVE DIRECTOR TO THE MEMBERSHIP

State of the Sport

Athlete membership decreased in 2014 by 102 athletes resulting in a total of 5,442 athlete members in 2014 versus 5544 in 2013. Non-athlete membership increased from 580 in 2013 to 596 for the 2014 registration year. 2014 ended with 45 Year Round Clubs, and two affiliated Organization.

Arizona Swimming was represented at the September 2014 USA Swimming Convention in Jacksonville, FL, by Mary Kramer (General Chair), Starre Haney (Safety Chair), Art Gramer (Officials Representative), John Degnan (Treasurer), Maureen Rankin (Age Group Chair), Duncan Scott (USA Swimming Committee Member) Grant Sugaski (Athlete Representative) and Carla Morelli (Executive Director). Among noteworthy programming for the annual convention was programming on the use of excel to navigate LEAP, Safe Sport Programming and the election of officers of USA Swimming.

USA Swimming held their annual Officials Clinic in October 2013 in Phoenix. The attendance at this clinic included officials from many LSC's throughout the country. Referees David Brooks, Dawn Mulligan and John Rajadas represented Arizona Swimming.

Bill Krumm, USA Swimming Sport Development Consultant, for the Western Zone held the Club Leadership and Business Management Class in San Manuel in December 2013. This class satisfies the first year requirement for club membership in USA Swimming. EDAC, FAST, SVTT, SMAN all attended the management class coordinated and hosted by SMAN.

Congratulations to the recipient of the 2014 Arizona Swimming College Scholarship competition. Recipient Kelsey Barter (FORD) was announced at the AzSI House of Delegates held in April 2014.

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 2014 Club Excellence Program. Scottsdale Aquatic Club was recognized as a Gold Medal Club; Arizona Gold Swimming and Tucson FORD Dealers Aquatics Club were Silver Medal Club Excellence Achievers.

The Arizona Swimming Board of Directors, Committee Chairs and Committee members along with scores of volunteers continue to bring about programming advances in addition to continuing to build on already established Arizona Swimming policies and traditions. Congratulations to Sharon Campbell (UN) and Art Gramer (UN) Arizona Swimming Volunteers of the Year at the spring AzSI House of Delegates meeting.

Gayle Schurz (FSS) was voted as Age Group Coach of the Year and Kevin Zacher (SAC) was voted the Senior Coach of the Year. These awards were presented at their respective spring championship meets. Congratulations to these two outstanding coaches.

As we begin the 2015 registration year, our growth provides both opportunity and challenge. With the dedication and commitment of hundreds of volunteers Arizona Swimming pursues the goal to strive to provide the membership with the opportunity to reach their full potential in and out of the pool every day.

Carla Morelli
Executive Director

REPORT OF THE AGE GROUP CHAIR TO THE MEMBERSHIP

State of the Sport

This past year proved to be another successful year for age group swimming in Arizona. The increase in the overall time standards for our state championship meet was successful and we still had a large number of the athletes achieving these new times. This year as Age Group Chair I made it a point to talk to coaches about the changes they would like to see moving forward in age group swimming here in Arizona.

One of the items that again brought to the AGC's attention was to increase the time standards in hopes the trend will continue and athletes will again rise to the occasion and achieve them. The timeline of our state meet is a concern going into this year and the research shows it's not the entry times that make for a long timeline but the number of splashes per athlete that increases the timeline. With this in mind the Age Group Committee decided to keep the event entry process the same so as not to limit any of our athletes in being able to attend this meet. The hope is as the time standards increased yearly this will in time decrease the number of swimmers entered in the meet, however history shows time and time again that the swimmers will get faster. It was decided by the age group Committee with consideration of what the age group coaches in Arizona Swimming have requested to use the 32nd time for the 50's and 24th time for the 100's and above. The time will then be truncated with 0.09 seconds to be added (this method is employed by USA Swimming-example: 00:34.17 truncated would be 00:34.1 and when 0.09 seconds are added becomes 00:34.19). Using this formula would decrease the volunteer time in the future for establishing the qualifying times and should keep with the current increase of the time standards at a level that is in the best interest of the swimmer. The coaches in AZ Swimming asked us to address the qualifying time in 11-12 boys 200 fly at Regionals and AG State Champs and this will be addressed this year before the SCY and LCM Regional and AG State Championships.

It was brought to the attention of the age group Committee that there is a need for championship meets for our older swimmers that have not yet achieved the Senior State qualifying time. Part of the concern is that we will lose some of the swimmers that make the change from high school swimming to year round swimming. In some cases their seasons will end 1-2 months earlier than others that qualify for the season ending championships meets. USA Swimming's statistics show that we lose swimmers from the age's 12-16 mostly for the simple fact that it is not fun anymore and there is nothing for them to focus on. We are hoping by offering these swimmers a championship meet at the end of the season we will be able to retain more swimmers in these age groups. The age group Committee was asked to include a 15 & over age group to the Regional Championships and it will be brought to the BOD and hopefully the HOD for approval this year. It was decided that we stay with the NMTS B as the qualifying times for this year in each age group except 15 & over swimmers who will need to achieve the 15-16 B NMTS. In the future creating time standards based off of AZ Swimming times may be the way to go.

The start of this year brought some lower than normal numbers in new swimmers to AZ Swimming. The General Chair has brought this to the age group committee's attention in hopes that we can come up with ways to have swimmers join our year round USA Swimming clubs from the summer recreational leagues or lessons. This is a focus for USA Swimming this year as well. The hope is to make swimming the most fun sport there is.

For our younger age group swimmers we are hoping to implement more novice type meets where their experience is positive and geared towards that particular type of swimmer vs. lumping them in a NTS meet with some of the fastest swimmers in the state.

Diversity and inclusion is an area that we hope to address for swimming in Arizona this coming year. This can only help our sport to get more swimmers involved and will grant AZ Swimming a way to give back to our community. USA Swimming will help to give us the resources needed to approach different groups in our communities to include them in our sport and make them feel welcome; they will also provide the resources to address the different cultures already involved.

The age group committee hopes to follow through on what has been brought to us by the members of Arizona Swimming to make the swimming community in Arizona better than it's ever been; We look forward to the challenge.

Maureen Rankin
Age Group Chair

REPORT OF THE COACH REPRESENTATIVES TO THE MEMBERSHIP

State of the Sport

A concerted effort has been made to formally collect the ideas and suggestions of coaching members to present to the proper Arizona Swimming committees, to support legislation for the good of the sport in Arizona. While discussions continuously occur on pool decks, it became important to formalize the process to actually understand the majority's opinion.

A coaches' meeting was organized during the Spring House of Delegates meeting weekend, attended by a majority of head coaches. The Coaches' representatives were able to identify goals, including the championship calendar and participation, that were formally forwarded to the Age Group and Senior committee chairs for consideration in presenting for legislation.

Additionally, a coaches' social was organized by Arizona Swimming in the Fall, serving as an introduction to the new General Chair and as a discussion forum for coaches. Formalized suggestions were presented to the Age Group and Senior Chairs as the official opinion of the Arizona coaches.

The goal of the Coaches' Representatives is to continue bi-annual meetings as the best forums to create formal opinions of the majority of coaches, and to present these ideas to the appropriate committees. Also ideas gleaned from informal discussion will be collected and presented at the bi-annual meetings.

Martin Reichgott
Kevin Zacher
Coach Representatives

MANAGEMENT'S DISCUSSION & ANALYSIS FOR YEAR ENDING AUGUST 31, 2014

As of August 31, 2014 Arizona Swimming, Inc. ("AzSI") had total assets of \$526,753 of which \$515,735 is held in the form of cash or near-cash investments. The net assets of AzSI consisted of \$517,528 for the General Fund, \$30,046 for the Athlete Travel and Endowment and a deficit net assets, due to General Fund, for Officials Fund of \$21,128.

Membership:

During the fiscal year just ended athlete membership decreased by approximately 2% over the prior year and during the same period, non-athlete membership increased by approximately 3%.

As of August 31, 2014 AzSI had 5,442 total athlete members, as compared to 5,544 and 4,886 at the end of fiscal 2013 and 2012 respectfully. Athlete members include all classes of athlete membership.

As of August 31, 2014 AzSI had 596 non-athlete members as compared to 579 and 496 at the end of fiscal 2013 and 2012 respectfully. Non-athlete members include all coaches, officials and certain other volunteers.

As of August 31, 2014 AzSI had 45 year-round clubs, no seasonal clubs and one organization member representing an increase of three year round clubs and a decrease of two seasonal clubs.

For the fiscal year ending August 31, 2014 AzSI recorded 1,748 transfers by registered year round athletes from one USA Club to another. Of these transfers 1,386 were within Arizona. In the fiscal year ended August 31, 2013 AzSI recorded 1,286 transfers of which 892 were 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 \$375,486 in total membership fees of which it passed \$299,670 through to USA Swimming. In the last fiscal year AzSI collected \$320,528 in membership fees and passed \$252,604 through to USA Swimming.

During fiscal year just ended, the expenses attributable to the production of the membership income were \$51,733 including depreciation.

By action of the House of Delegates of USA Swimming the individual registration fees increased at a rate of \$1 per year ending with the 2014 registration year. By action of the House of Delegates of USA Swimming the registration fees will increase by \$2 per year for a period of ten years beginning with the 2015 membership 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.

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 114 sanctions and / or approvals, collecting revenue from those sanctions and approvals. \$6,267 in revenue from those sanctions and approvals. This represents an increase of 14 meets over the last fiscal year.

Management's Discussion & Analysis, 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. A portion of the athlete surcharge collected goes directly to the Athlete Travel & Endowment Fund. During the year just ended AzSI collected, in total, \$156,795 for such surcharges as compared to 2013 when we collected \$150,328 in surcharges. See Athlete Travel Endowment discussion regarding athlete surcharge fee.

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 is able to achieve substantial savings over the normal process of ordering medals and other awards for individual meets. In some cases the savings are greater than 50%. Teams hosting the AzSI meets covered by the standardization policy reimburse AzSI at cost for these medals plus freight.

During the year just ended, AzSI's expenditures exceeded revenues resulting in a net decrease in Net Assets by a total of \$3,752 in total for all Funds of \$1,764. The budgeted change in assets called for a decrease in total Net Assets of \$44,450. The difference between actual decrease and budgeted decrease was the result of unspent budgeted expenditure by many of the committees of Arizona Swimming.

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, net of special allocation to officials program, \$31,578. Actual expenditures including meet enhancements and other program costs were \$226,998. Current year income was reduced by an allocable share of cost of pilot program for officials. Age Group Swimming's portion of the special allocation to the officials program was \$5,064. This served to reduce the budget for Age Group swimming programming.

It is anticipated that funding for Age Group Swimming will remain relatively constant for the next year without reduction for pilot program for officials

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

Management's Discussion & Analysis, 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, one \$1,000 scholarship was awarded.

At the April House of Delegates meeting the House voted to decrease the number of scholarships available from four to two. The funding remains constant with the value of each scholarship increasing from \$1,000 to \$2,000.

For fiscal year just ended, senior programs had total income, including interdepartmental allocation and after special allocation to officials program, was \$27,196. Actual expenses including meet enhancements and other program expenses totaled \$12,915. Current year income was reduced by an allocable share of cost of pilot program for officials. Senior Swimming's portion of the special allocation to the officials program was \$3,624. This served to reduce the budget for Senior Swimming programming.

It is anticipated that funding for Age Group Swimming will remain relatively constant for the next year without reduction for pilot program for officials

Athlete Travel Endowment

In April of 2013 the AzSI House of Delegates authorized the initial funding of \$10,000 as the initial funding of the endowment portion of the Travel Fund. That initial funding is not to be used for reimbursement of any travel expenses for athletes but as the initial funding for the endowment. This initial funding was predicated on the adoption of an Athlete Travel Fund and related Policy by the end of the fiscal year. Such program was adopted and effective January 1, 2014 the Meet Surcharge was increased by one dollar to six dollars for all sanctioned meets. The one dollar increase is to be split between the endowment fund and a fund that may be used to reimburse athletes for expenses incidental to their competition at certain pre-determined national level swimming meets. The equal split of the funds will continue until the Endowment meets a certain threshold, and subsequently, with the permission of the Travel Committee and the concurrence of the AzSI Board of Directors, the funds may be all allocated to the travel portion of the Fund. The adopted policy also specified that the travel fund bear all the cost associated with the administration of the Athlete Travel/Endowment Fund.

During the fiscal year just ended, the Travel Fund received \$20,002 from meet surcharges; of which \$10,101 was allocated the portion of the fund available for athlete reimbursement and \$10,101 to the Endowment portion of the Travel Fund. During the same period the administrative costs associated with the fund were \$156. As a result the Fund ended the year with net assets of \$30,047, of which \$20,102 is allocated to the Endowment and \$9,945 is in the portion of the fund that is available for reimbursement of qualified expenses to qualified athletes. Both portions of the Fund are Temporarily Restricted.

The first season for which reimbursements are available is the long course season 2014. As a result, no athlete reimbursements were distributed during the fiscal year just ended.

It is anticipated that funding from the increased surcharges will continue.

Equipment

Arizona Swimming owns and maintains various 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.

Management's Discussion & Analysis, continued

During the fiscal year just ended equipment expenses after depreciation, were \$11,269. Revenue for period including interdepartmental allocation was \$20,412.

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

Officials Fund

The Officials Committee administered a Temporarily Restricted fund (the "Fund") that can only be used for officials operations and training. The Fund began the year with a deficit, owed to the General Fund, of \$19,944 ending with a deficit of \$21,128 due to the General Fund.

All officials volunteer their time to work sanctioned and approved meets and certain other meets. Historically, the fund received revenue from the General Fund, Time Trials and certain contributions. During the fiscal year just ended, Officials Committee funding from the General Fund was \$19,596 with time trial revenue of \$1,588

By action of the AzSI House of Delegates, a pilot program to incentivize officials to remain active and to work more meets was adopted. Funding, at the \$12,000 level, was to come directly from other programs, including but not limited to Age Group and Senior Swimming, Safety and other departments, not from an increase in funding from the General Fund. Subsequent to the implementation of the pilot program, no substantial increase in official participation was noted. During this period approximately 30% of the AzSI certified officials working five or fewer sessions and less than 5% of the officials working more than 50 sessions.

During the course of the year, the Officials Committee requested additional funding in the nature of a budget override from the General Fund of \$5,500 to avoid a deficit. The Board of Directors granted this budget override, bringing the total of Pilot funding and budget overrides to \$17,500.

The total revenue for the Officials fund was then \$38,684 prior to final advance from General Fund of \$1,184. Total expenditures for the Officials Fund during the fiscal year, including those funds spend on the pilot program, were \$39,868. As a result, the deficit for the Officials Fund increased to \$21,128. Subsequent to year end, additional expenses related to the pilot program were incurred, including but not limited to, purchase of additional apparel and postage. It is anticipated that these total additional expenses will not exceed \$1,500.

It is anticipated that the level of support from the General Fund will continue at the level before the adoption of the pilot program and budget override.

Legal Matters - Contingencies

In 2013 Arizona Swimming, along with USA Swimming and others, was named in a civil action filed in Maricopa County. During the fiscal year just ended the case was settled without liability or cost to AzSI. Prior to this fiscal year, AzSI paid/and or advanced in excess of \$16,000 in legal fees related to this action. During this fiscal year, AzSI's insurance companies reimbursed AzSI for its legal fees and the law firm returned unused advanced fees

Management of AzSI is not aware of any other action pending or threatened against AzSI.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Cash Basis Financial Statements

August 31, 2014

November 5, 2014
Phoenix, AZ

Arizona Swimming, Inc.

Statement of Assets, Liabilities & Net Assets - Cash Basis

August 31, 2014

Assets	Other Funds				Total
	General Fund	Officials Fund	Athletes' Travel Fund	Athletes' Endowme nt	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Temporarily Restricted	
Cash (Notes 12,2,6 & 8)	\$ 28,689	\$	\$ 9,945	\$ 20,102	\$ 58,736
Investments (Notes 2 & 8)	456,999				456,999
Due from other Funds (Note 4)	-				
Equipment net of depreciation (Notes 1,3 & 9)	9,007				9,007
Other assets and other prepaid (Note 14)	2,010				2,010
Total Assets	\$ <u>496,706</u>	\$ <u> </u>	\$ <u>9,945</u>	\$ <u>20,102</u>	\$ <u>526,753</u>
Liabilities and Net Assets					
Liabilities (Note 1 & 2)	\$ 307	\$	\$	\$	\$ 307
Deferred revenue (Note 3 & 10)	-				
Total Liabilities	307	0			307
Unearned revenue (Note 3 & 14)					
Total Liabilities and Unearned Revenue	307				307
Net Assets					
Unrestricted	496,400				496,400
Temporarily restricted (Notes 1, 4 & 5)		<u>0</u>	<u>9,945</u>	<u>20,101</u>	<u>30,046</u>
Total Net Assets	496,400		9,945	20,101	526,446
Total Liabilities & Net Assets	\$ <u>496,707</u>	\$ <u>0</u>	\$ <u>9,945</u>	\$ <u>20,101</u>	\$ <u>526,753</u>

Internally prepared without audit. See notes to financial statements.

Arizona Swimming, Inc.

Statement of Revenue, Expenditures and Other Changes in Net Assets - Cash Basis for the Twelve Months Ending August 31, 2014

Net Assets	Other Funds				Total
	General Fund	Officials Fund	Athletes' Travel Fund	Athletes' Endowment	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Temporarily Restricted	
Revenue					
Registration fees (Notes 1 & 3)	\$ 375,486	\$	\$	\$	\$ 375,486
Officials fund Revenue (Note 4)		1,584			1,584
Athlete Travel & Endowment (Note 5)			10,101	10,101	20,202
Sanction & Meet surcharges (Note 3)	156,795				156,795
Equipment rental (Note 9)	6,116				6,116
Interest & other income (Note 12)	19,167				19,167
Interdepartmental allocation		20,784			20,784
Special allocation (Note 4)		12,000			12,000
Budget override (Note 04)		5,500			5,500
Total Revenue	557,564	39,868	10,101	10,101	617,634
Required payments to affiliates					
Membership payments made to USA Swimming (Note 3)	299,670				299,670
Revenue after required payments	257,894	39,868	10,101	10,101	317,964
Expenditures					
Office & administrative	36,998	2,638	22		39,658
Professional fees	6,523				6,523
Wages, salaries, benefits & related	89,272	12,134	124		101,530
Training, convention, travel	27,407	9,582			36,989
Program expenses	3,686	13,609			17,295
Meet enhancements	11,440				11,440
Scholarships	1,000				1,000
Office rent and related expenses	15,295	1,905	10		17,210
Awards, promotion & web site	16,919				16,919
Depreciation & interest	3,669				3,669
Repairs and maintenance	9,009				9,009
Transfer to Athlete Travel	20,202				20,202
Interdepartmental allocation	37,100				37,100
Total Expenditures	278,520	39,868	156	0	318,544
Increase (decrease) in Net Assets	(20,626)	0	9,945	10,101	(580)
Net Assets at beginning of year	517,026		0	10,000	527,026
Net Assets end of year	\$ 496,400	\$	\$ 9,945	\$ 20,101	\$ 526,446

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2014

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, athlete protection training and background screenings along with other training.

As of the fiscal year-end, the Organization had 45 year-round clubs. Additionally, the Organization had 6,123 individual members, of whom 5,442 were athlete members and 596 were non-athlete members such as coaches, officials, and volunteers. This represents an decrease in athlete members of 102 or 1.8%, and a increase in non-athlete members of 17, or 2.9% 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, 2014

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 8).

The Organization has an unsecured credit card line with a maximum credit line of \$27,500 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 \$373. 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, 2015. Subsequent to year end, the Organization renewed its line of credit.

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 \$62 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.

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Note 3. Membership Dues, & Various Other Revenue (continued)

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 \$62 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 revenue from membership fees and recognize it over the period to which the dues 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. Effective in January 2014 the athlete surcharge will increase by \$1.00 (see Note 4).

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 Funds - Officials

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 \$1,588 in income for the Officials' Fund. The company's general fund provided \$19,596 of additional funding for the Officials Fund. During the fiscal year ended, the Organization House of Delegates allocated \$12,000 to the Officials Fund for a pilot program aimed at improving participation by Officials. Also during the year, to avoid a substantial deficit, the Officials Fund requested and was granted a budget override of \$5,500 from the General 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 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. Expenditures by the Officials Fund in the fiscal year just ended were \$39,589. It is anticipated that this level of support from the Organizations General Fund will continue but with out the Special Allocation for Pilot program or the Budget Override.

Due to Other Funds

The Organization's Officials Fund has incurred a substantial deficits in the past two years. For the fiscal year just ended, the Official's Fund owes the General Fund \$21,128 for funds advanced over and above budgeted amounts.

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Note 5. Temporarily Restricted Funds - Athlete Travel

Athlete Travel & Endowment Fund:

During the year just ended the Organization a program was adopted and effective January 1, 2014 the Meet Surcharge was increased by one dollar to six dollars for all sanctioned meets. The one dollar increase is to be split between the endowment fund and a fund that may be used to reimburse athletes for expenses incidental to their competition at certain predetermined national level swimming meets. The adopted policy also specified that the travel fund bear all the cost associated with the administration of the Athlete Travel/Endowment Fund.

During the fiscal year just ended, the Travel Fund as a whole received \$20,202 from meet surcharges; of which \$10,010 was allocated the portion of the fund available for athlete reimbursement and \$10,101 to the Endowment portion of the Travel Fund. During the same period the administrative costs associated with the fund were \$156.

The first season for which reimbursements are available is the long course season 2014. As a result, no athlete reimbursements were distributed during the fiscal year just ended.

It is anticipated that funding from the increased surcharges will continue.

Note 6. Income Taxes

As a result of the determination by the Internal Revenue Service that the Organization is tax exempt within the meaning of § 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 §107(b)(1)(A) and has been classified as an organization other than a private foundation under § 509(a)(2).

Note 7. 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.

Note 8. 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 certain balances which exceeded the FDIC insurance limits. Subsequent to year end, such funds were transferred to another insured financial institution. The Organization has no other significant concentrations of credit risk.

Note 9. 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

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

Note 10. 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 \$1,316 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 2016. For the year ending August 31, 2014 rental expenses on this lease was \$12,889. Subsequent to year end additional total remaining obligations under this lease are \$12,312 which all is due within the next fiscal year and \$5,130 in the final year of the lease. It is expected this expense will continue.

Note 11. 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, one \$1,000 scholarships was awarded.

While this program is expected to continue, the Organization modified it to award two \$2,000 scholarships as apposed to four \$1,000 scholarships.

Note 12. Interest Income

During the past fiscal year the Organization earned \$1,876 in interest on its investments. It is anticipated that this income will continue. See Note 8 regarding Concentration of Credit Risk

Note 13. 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 \$1,011 in medals for next season.

Note 14. Legal Matters

In 2013 Arizona Swimming, along with USA Swimming and others, was named in a civil action filed in Maricopa County. During the fiscal year just ended the case was settled without liability or cost to AzSI. Prior to this fiscal year, AzSI paid/and or advanced in excess of \$16,000 in legal fees related to this action. During this fiscal year, the Organization's insurance companies reimbursed AzSI for its legal fees and the law firm returned unused advanced fees.

Management of AzSI is not aware of any other action pending or threatened.

