

2016 Annual Report to the Membership

Including...

State of the Sport,
Management Discussion
and Analysis
&
Financial Statements
for the year ending
August 31, 2016



Arizona Swimming



Arizona Swimming, Inc.

2016 Annual Report to the Membership

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REPORT OF THE GENERAL CHAIR TO THE MEMBERSHIP

State of the Sport

It has been a year of many changes: new programs, refinements of programs, establishment of quadrennial time standards, and the passing of Leap 3, just to name a few.

The Board and its committees took the goals we posted and prioritized last year at the House of Delegates meeting and began work on what you asked us to do. To that end, we invested in some heavy advertising of our swim programs to help in the recruitment of new athletes in an Olympic year. It is still too early to tell if this has been successful.

We standardized our time standards so that “A” times are State qualifying times and “B” times are Regional qualifying times. Hopefully this ends the confusion of what times mean what. In addition, we gave out large numbers of “achievement certificates” to those swimming under the old time standards and will continue to do so for those achieving new qualifying times for this year.

We had seven (7) attendees, two (2) of whom were athletes, at the annual United States Aquatic Sports/USA Swimming convention held in Atlanta. Of notable concern was the proposal to institute new levels of membership for athletes. Had these passed it could have cost Arizona Swimming as much as \$15,000-\$20,000 in revenues. These proposals did not come forward at this time simply because of some logistics as to how to handle some aspects of the administration of these new categories. However, noting that USA Swimming membership is not increasing at the rates they anticipated, it is only a matter of time before these proposals are passed. When, not if, this happens, Arizona Swimming will need to take a long, hard look at its fee structures and program budgeting.

The Western Zone did not entertain the idea of changing the dates of the Age Group meet at the WZ meeting. They took under advisement via committee to look at what the purpose of the meet is, when it is held, and should the number of attendees from each LSC be limited differently. Since, no decision was made on any of these suggestions, Arizona Swimming will not be participating in the WZ Age Group meet in the near future. Instead, we will go forward with establishing an “All Star” meet to better meet our athletes’ needs.

Arizona Swimming held its first ever Diversity Camp in June. Mozette Humphreys took on this project and did a great job for our first time event. She is to be commended for her hard work. We will continue to host this type of event and look to expand it in the future.

Grant Sugaski, one of our athlete reps, was elected as the athlete rep to the Western Zone. JP Greener, our other athlete rep in attendance, has been asked to serve on one of the Athlete Executive Committee advisory committees. Our athletes represented us well and provided an education to many other athlete reps and Board members from other LSCs that were in attendance.

As always, if you have any questions and/or concerns, please feel free to contact me.

Mary C. Kramer
General Chair

REPORT OF THE EXECUTIVE DIRECTOR TO THE MEMBERSHIP

State of the Sport

Athlete membership increased in 2016 by 129 athletes resulting in a total of 5519 athlete members in 2016. Non-athlete membership increased from 592 in 2015 to 608 for the 2016 registration year. 2016 ended with 46 Year Round Clubs and 1 organization.

Arizona Swimming was represented at the September 2016 USA Swimming Convention in Atlanta, Georgia, by Mary Kramer (General Chair), Jane Stump (Officials Chair), Kelly Logan (Admin Vice Chair), Bryan Crane (Age Group Chair), Tom Oliver (Safe Sport Chair) Grant Sugaski (Athlete Representative), JP Greener (Athlete Representative). The most exciting moment was the announcement of the LEAP III achievement completed by Arizona Swimming. Members of the BOD and Committee Chairs held a one day Governance Conference hosted by Jane Grosser with USA Swimming which concluded the LEAP III requirements just prior to the USA Swimming convention.

USA Swimming held an Open Water Officials Clinic in April 2016 in Ft. Myers, FL. Carol Frivaldo represented Arizona Swimming at this clinic. Gerardo Huerta represented Arizona Swimming at an Officials workshop in Dallas, TX, October 2015. Tom Oliver and Jane Stump each officiated at national meets.

The Arizona Swimming Diversity Chair, Mozette Humphreys attended the Zone Diversity Camp in June 2016 along with Rachel Johnson, our Diversity Camp athlete participant.

A spring Leadership Conference was attended by Tom Oliver (Safe Sport), Mozette Humphreys (Diversity) and Mary Kramer (General Chair) in Denver in April 2016.

Bill Krumm, USA Swimming Sport Development Consultant, for the Western Zone held the Club Leadership and Business Management Class in Tucson in May, 2016. The following clubs participated in the class: Southwest Aquatic Sports and Tucson Tidal Waves. CLBMS satisfies the first year requirement for club membership in USA Swimming and also serves as a learning program for existing programs wanting to learn more about club leadership and managing their clubs.

Congratulations to the recipients of the 2016 Arizona Swimming College Scholarship competition. The recipients, Kathryn Otto (FAST) and Anjarine Tran (LIFE) were announced at the spring House of Delegates meeting.

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 2016 Club Excellence Program. Scottsdale Aquatic Club was a Gold Medal Club Excellence Achievers and Arizona Gold, Phoenix Swim Club and Tucson Ford Dealers Aquatics achieved Silver Medal Club Excellence status.

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 Kelly Logan (ASG) and Jane Stump (TJCC) Arizona Swimming Volunteers of the Year at the spring AzSI House of Delegates meeting.

Maryanne Keever (SAC) 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.

We are hopeful at the beginning of this 2017 registration year, that the level of excitement around the Olympic games will turn into record membership for Arizona Swimming along with opportunities for all our athletes of all levels.

Carla Morelli
Executive Director

REPORT OF THE SAFETY AND RISK MANAGEMENT CHAIR TO THE MEMBERSHIP

State of the Sport

Safety awareness is a major part of our sport. To reduce the risk of harm an athletes faces, personal safety awareness must be increased.

USA Swimming compiles statistics on accidents that occur nationwide and examines where these accidents occur, participants involved and the likely causes. Specific programs and recommendations are developed to remedy real needs versus perceived needs from analyzing this information. Complete and accurate data are necessary for an effective risk management and safety/loss control program.

Every club must have someone assigned as their safety contact, which is often the Club Safety Coordinator (CSC). In addition, each club must have a safety plan specific to their facility and swim program. The CSC is responsible for reviewing a club's safety plan, but may also be involved in pool inspections, assist in identifying dangerous conditions and in implementing processes to correct these conditions. The CSC can also educate parents to take on the role of swim meet Safety Officer or Marshal.

The CSC should be involved and aware of every accident involving any of their club's facilities or members. The CSC shall work with coaches, parents, board members and meet management staff to enhance awareness about the importance of the "Report of Occurrence" and its timely completion.

USA Swimming published 2016 YTD Accident Summary. 95% of member related accidents reported involve swimmers. The other 5% are siblings, volunteers and coaches. Accidents can occur anywhere. The most common accidents are falls in the locker room/deck. The majority of in-the-water accidents happen when swimmers collide with one another on backstroke or when swimmers hit the wall.

In Arizona, there were 30 accident reports which were filed. One area that is potentially avoidable involves tents at swim meets, which often are unsecured or not secured properly. We had three reported accidents of injuries caused by flying tents. Teams, parents and volunteers must work together to provide a safe environment for all.

Alex Farlow
Safety Chair

MANAGEMENT'S DISCUSSION & ANALYSIS FOR YEAR ENDING AUGUST 31, 2016

As of August 31, 2016 Arizona Swimming, Inc. ("AzSI") had total assets of \$601,567, of which \$601,567 is held in the form of cash or near-cash investments. The net assets of AzSI consisted of \$508,332 for the General Fund and \$93,235 for the Athlete Travel and Endowment.

Membership:

During the fiscal year just ended athlete membership increased approximately 1% over the prior year and during the same period, non-athlete membership increased by approximately 2%.

As of August 31, 2016 AzSI had 5,519 total athlete members, as compared to 5,502 and 5,542 at the end of fiscal 2015 and 2014 respectfully. Athlete members include all classes of athlete membership.

As of August 31, 2016 AzSI had 608 non-athlete members as compared to 592 and 596 at the end of fiscal 2015 and 2014 respectfully. Non-athlete members include all coaches, officials and certain other volunteers.

As of August 31, 2014 AzSI had 46 year-round clubs and one organizational member.

For the fiscal year ending August 31, 2016 AzSI recorded 1,491 transfers by registered year round athletes from one USA Club to another. Of these transfers 1,065 were within Arizona. For the fiscal year ended August 31, 2015 AzSI recorded 1,380 transfers of which 1,015 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 \$403,847 in total membership fees of which it passed \$327,768 through to USA Swimming. In the last fiscal year AzSI collected \$391,858 in membership fees and passed \$315,092 through to USA Swimming.

During fiscal year just ended, the expenses attributable to the production of the membership income were \$57,608 including depreciation.

While it is anticipated this revenue source will continue, revenue will continue to fluctuate with memberships levels. Additionally, USA Swimming is considering changes to fees for various registration levels. These proposed changes would have a detrimental affect upon AzSI income. It can not be estimated when or if these changes will be made.

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 115 sanctions and / or approvals, collecting revenue from those sanctions and approvals. \$6,535 in revenue from those sanctions and approvals. There was no appreciable increase or decrease in the number of meets held during the fiscal year just ended.

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, \$164,797 for such surcharges and sanction fees as compared to 2015 when we collected \$171,522 in such charges. See Athlete Travel Endowment discussion regarding athlete surcharge fee.

Management's Discussion & Analysis, continued

General

Under the standardization policy, AzSI generally orders medals for of state championships, regional and other AzSI meets including 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. During the year just ended, AzSI expended \$14,041 for such awards.

During the year just ended, AzSI's expenditures exceeded revenues resulting in a net decrease in Net Assets by a total of \$8,609 in the General Fund and an increase for all Funds of \$22,335. Substantially all the increase is attributed to the Athlete Endowment and Athletes Travel Fund.

Programs

Age Group Swimming

For the fiscal year just ended total income, including interdepartmental allocations, for Age Group Swimming was \$31,578. Actual expenditures including meet enhancements and other program costs were \$226,998. Budget for next fiscal year shows substantial increase in funds allocated through the interdepartmental allocation.

It is anticipated that funding for Age Group Swimming continue to increase if programing warrants.

Senior Swimming

During the year just ended the Senior Swimming continued its program of granting two \$2000 scholarships to Arizona graduating high school seniors who are continuing their education. During the year just ended, both scholarships were awarded.

It is anticipated that this scholarship program will continue.

For fiscal year just ended, senior programs had total income was \$14,388 Actual expenses including scholarship and other program expenses totaled \$14,607.

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

Athlete Travel Endowment

One dollar of each meet surcharge fee is to be split between the endowment fund and a fund that may be used to reimburse certain qualified athletes for expenses incidental to their competition at certain predetermined 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 \$31,205 from meet surcharges; of which \$15,751 was allocated the portion of the fund available for athlete reimbursement and \$15,571 to the Endowment portion of the Travel Fund. During the same period the administrative costs associated with the fund were \$558. As a result the Fund ended the year with net assets of \$93,235, of which \$53,823 is allocated to the Endowment and \$39,412 is in the portion of the fund that is available for reimbursement of qualified expenses to qualified athletes.

It is anticipated that funding from the surcharges will continue.

Management's Discussion & Analysis, continued

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.

During the fiscal year just ended equipment expenses after depreciation, were \$4,307. Revenue for period including interdepartmental allocation was \$4,323 of which \$3,350 was from actual rentals.

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. While it is anticipated that funding for equipment will remain relatively constant for the next year it has been noted that the demand for such rentals has decreased significantly over the last few fiscal years.

Officials Fund

The Officials Committee administered a Temporarily Restricted fund that could only be used for officials operations and training. The Fund began the year with a deficit; it is unlikely such deficit will be repaid so the fund has effectively been closed.

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 \$14,373 with time trial revenue of \$3,400.

The total revenue for the Officials fund was then \$17,773 of which \$3,400 was from time trials. Total expenditures for the Officials Fund during the fiscal year, including those funds spend on the pilot program, were \$17,773.

It is anticipated that the level of support from the General Fund will be required to fund officials training and other activities. It is anticipated that by the year ended August 31, 2017 the Officials Fund will be closed completely and combined with the general fund which will continue to support Officials activities.

Legal Matters - Contingencies

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

Arizona Swimming, Inc.

Statement of Assets, Liabilities & Net Assets - Cash Basis

August 31, 2016

Assets	Other Funds				Total
	General Fund	Officials Fund	Athletes' Travel Fund	Athletes' Endowment	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	
Cash (Notes 12,2,6 & 8)	\$ 1,751	\$	\$ 53,823	\$ 39,412	\$ 94,986
Investments (Notes 2 & 8)	506,581				506,581
Equipment net of depreciation (Notes 1,3 & 9)	0				0
Other assets and other prepaid (Note 14)	0				0
Total Assets	\$ 508,332	\$	\$ 53,823	\$ 39,412	\$ 601,567
 Liabilities and Net Assets					
Liabilities (Note 1 & 2)	\$ 1,743	\$	\$	\$	\$ 1,743
Unsecured line of credit	10,500				10,500
Total Liabilities	12,243	0	0	0	12,243
Unearned revenue (Note 3, 10 & 14)	0				0
Total Liabilities and Unearned Revenue	12,243	0	0	0	12,243
 Net Assets					
Unrestricted	496,089	0			496,089
Permanently restricted (Notes 1,4 & 5)				39,412	
Temporarily restricted (Notes 1, 4 & 5)	0	0	53,823	0	53,823
Total Net Assets	496,089		53,823	0	549,912
Total Liabilities & Net Assets	\$ 508,332	\$ 0	\$ 53,823	\$ 39,412	\$ 601,567

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, 2016

Net Assets	Other Funds				Total
	General Fund	Officials Fund	Athletes' Travel Fund	Athletes' Endowment	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	
Revenue					
Registration fees (Notes 1 & 3)	\$ 403,847	\$	\$	\$	\$ 403,847
Officials fund Revenue (Note 4)		3,400			3,400
Athlete Travel & Endowment (Note 5)			15,751	15,751	31,502
Sanction & Meet surcharges (Note 3)	164,797				164,797
Equipment rental (Note 9)	4,600				4,600
Interest & other income (Note 12)	8,164				8,164
Interdepartmental allocation		14,373			14,373
Transfers, late fees & other registrati	10,180				10,180
	591,588	17,773	15,751	15,751	640,863
Required payments to affiliates					
Membership payments made to USA Swimming (Note 3)	327,768				327,768
Revenue after required payments	263,820	17,773	15,751	15,751	313,095
Expenditures					
Office & administrative	51,038	687		8	51,733
Swimming awards	15,868	80			15,948
Wages, salaries, benefits & related	108,667	6,882		550	116,099
Training & convention	40,480	2,643			43,123
Program expenses	16,509	6,319			22,828
Scholarships	4,000				4,000
Office rent and related expenses	12,605	1,162			13,767
Web site, hosting & other	7,804				7,804
Depreciation & interest	12,328				12,328
Repairs and maintenance	3,130	0			3,130
Total Expenditures	272,429	17,773	0	558	290,760
Increase (decrease) in Net Assets	(8,609)	0	15,751	15,193	22,335
Net Assets at beginning of year	504,698		38,072	24,219	566,989
Net Assets end of year	\$ 496,089	\$	\$ 53,823	\$ 39,412	\$ 589,324

Internally prepared without audit. See notes to financial statements.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2016

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 46 year-round clubs and one organizational member. Additionally, the Organization had 6,123 individual members, of whom 5,519 were athlete members and 608 were non-athlete members such as coaches, officials, and volunteers. This represents an increase in athlete members of 77 or 1.4%, and a increase in non-athlete members of 12, or 2.0% 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

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Footnotes to Financial Statements

August 31, 2016

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. As of the end of the fiscal year, all assets were fully depreciated.

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 15.5% 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 no material outstanding balance. 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 was a balance of \$10,500 against the line. Subsequent to year end, the Organization renewed its line of credit; the current line of credit will expire on September 11, 2017.

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 \$66 of which the Organization retains \$12. Athlete and Club seasonal memberships are available for a period of not more than 150 days. All year round memberships expire on December 31.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2016

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

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 ("USAS") 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.

While it is anticipated that this source of income will continue in the future, USAS is considering changes to certain classes of membership that, if adopted, could materially affect the Organizations income

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 \$6 for each athlete registered in a competition. Use of \$1 of the surcharge is restricted for use in the Athletes Travel Fund(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 \$3,400 in income for the Officials' Fund. The company's general fund provided \$14,373 of additional funding for the Officials Fund. While the officials committee functions as if it is a temporarily restricted fund, no policy or provision of the Organization By-Laws provide for such.

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. The Organization's Officials Fund has incurred a substantial deficits in the past few years.

It is anticipated that the officials fund will require substantial funding from the General Fund for the foreseeable future.

Arizona Swimming, Inc.

(an Arizona Not-for-Profit Corporation)

Footnotes to Financial Statements

August 31, 2016

Note 5. Temporarily & Permanently Restricted Funds - Athlete Travel

Athlete Travel & Endowment Fund:

The Organization adopted a program and policy to partially reimburse certain qualifying athletes travel to certain national level meets. The program is funded by a one dollar increase in the Meet Surcharge. The one dollar increase is by policy divided equally between the Permanently Restricted Endowment fund and the Temporality Restricted Athlete Travel 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 as a whole received \$31,502 from meet surcharges; of which \$15,751 was allocated the portion of the fund available for athlete reimbursement and \$15,751 to the Endowment portion of the Travel Fund. During the same period the administrative costs associated with the fund were \$558.

Subsequent to end of fiscal year end, the Travel Committee established under the policy met and determined maximum level of reimbursement for such meets as well as the meets that will qualify for such expense reimbursement for the next quadrium. As a result, no athlete reimbursements were distributed during the fiscal year just ended

It is anticipated that funding from the 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 \$3,500.

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 ("FDIC") up to \$250,000 at each financial institution. At year-end the Organization effectively had no balances which were not covered by FDIC insurance.

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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Footnotes to Financial Statements

August 31, 2016

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.

It is anticipated that this program will continue.

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. Subsequent to expiration it becomes a month to month lease. For the year just ending rental expenses on this lease was \$12,889.

It is expected this expense will continue.

Note 11. Scholarships

The Organization has a college scholarship fund whereby it may two unrestricted \$2,000 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, both \$2,000 scholarships was awarded.

It is expected this program will continue.

Note 12. Interest Income

During the past fiscal year the Organization earned \$1,512 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 certain medals and other awards for the State Championship, Regional and certain other AzSI meets. During the year just ended the Organization spent \$14,041 on such awards.

It is anticipated that such program will continue.

Note 14. Legal Matters

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

