

ILLINOIS SWIMMING INCORPORATED

FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Illinois Swimming Incorporated
Des Plaines, Illinois

We have audited the accompanying statements of financial position of Illinois Swimming Incorporated (ISI - an Illinois not-for-profit organization) as of August 31, 2011 and 2010 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Illinois Swimming Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Swimming Incorporated as of August 31, 2010 and 2009, and the results of its activities and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Paul W. Asheim, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

Wheaton, Illinois
October 31, 2011

ILLINOIS SWIMMING INCORPORATED
STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$335,927	\$141,412
Certificate of deposits - short-term maturities		182,872
Prepaid expenses	<u>6,116</u>	<u>7,325</u>
Total current assets	<u>342,043</u>	<u>331,609</u>
Long-term investments (Notes 1 and 2)	<u>498,140</u>	<u>437,720</u>
Property and equipment, at cost		
Office furniture and equipment	14,180	14,180
Computers and software	<u>24,969</u>	<u>21,377</u>
	39,149	35,557
Less accumulated depreciation	<u>(26,380)</u>	<u>(20,723)</u>
	<u>12,769</u>	<u>14,834</u>
Lease deposits	<u>3,184</u>	<u>4,713</u>
TOTAL ASSETS	<u>\$856,136</u>	<u>\$788,876</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	916	\$1,879
Club overpayments	8,447	
Unearned revenue	<u>10,391</u>	<u>9,833</u>
Total current liabilities	<u>19,754</u>	<u>11,712</u>
Commitments (Note 3)		
Net assets:		
Net assets designated for athlete assistance fund (Note 2)	498,140	437,720
Unrestricted net assets	<u>338,242</u>	<u>339,444</u>
Total net assets	<u>836,382</u>	<u>777,164</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$856,136</u>	<u>\$788,876</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2011</u> <u>ATHLETE</u>	<u>2011</u>	<u>2010</u>
	<u>UNRESTRICTED</u>	<u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:				
Contributions	<u>750</u>	<u>-</u>	<u>750</u>	<u>1,100</u>
Total Support	<u>750</u>	<u>-</u>	<u>750</u>	<u>1,100</u>
Revenue:				
Registration fees	\$1,131,025		\$1,131,025	\$1,154,107
Program service	236,906		236,906	264,505
Other programs	213,715		213,715	186,894
Miscellaneous income	88,668		88,668	48,329
Interest income	8,185		8,185	5,340
Investment income, net of expenses		\$5,739	5,739	6,252
Realized (loss) gain on investments		(26,645)	(26,645)	3,381
Unrealized gain on investments	<u>-</u>	<u>59,326</u>	<u>59,326</u>	<u>2,973</u>
Total Revenue	<u>1,678,499</u>	<u>38,420</u>	<u>1,716,919</u>	<u>1,671,781</u>
TOTAL SUPPORT & REVENUE	<u>1,679,249</u>	<u>38,420</u>	<u>1,717,669</u>	<u>1,672,881</u>
EXPENSES:				
Program services	1,324,874		1,324,874	1,252,130
Support services: General & administrative	<u>333,577</u>	<u>-</u>	<u>333,577</u>	<u>320,969</u>
TOTAL EXPENSES	<u>1,658,451</u>	<u>-</u>	<u>1,658,451</u>	<u>1,573,099</u>
INCREASE IN NET ASSETS	20,798	38,420	59,218	99,782
Net assets, Beginning of fiscal year	339,444	365,114	777,164	677,382
Transfer between funds – (Note 2)	<u>(22,000)</u>	<u>22,000</u>	<u>-</u>	<u>-</u>
Net assets, end of fiscal year	<u>\$338,242</u>	<u>\$498,140</u>	<u>\$836,382</u>	<u>\$777,164</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2011

	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMIN.</u>	<u>2011 TOTAL EXPENSES</u>
USA Swimming (See Note 1)	\$872,282		\$872,282
Salaries		\$159,081	159,081
Payroll taxes		12,415	12,415
Employee benefits		34,060	34,060
Stipends	26,898		26,898
Club incentive	86,425		86,425
Coaches College	12,169		12,169
Age group meet expenses	20,899		20,899
Age group camp expenses	15,287		15,287
Championship meet expenses	198,822		198,822
Zones	27,467		27,467
Officials expenses	27,724		27,724
Awards	18,783		18,783
Banquet expenses	18,118		18,118
Sponsorship Expenses		9,804	9,804
Occupancy (Note 3)		20,633	20,633
Telephone		3,372	3,372
Computer expense		6,072	6,072
Insurance expense		1,919	1,919
Office expense		10,810	10,810
Postage and freight		6,663	6,663
Professional fees		8,624	8,624
Public relations expense		10,291	10,291
Conferences/meetings		24,207	24,207
Other travel and entertainment		5,160	5,160
Contribution to foundation		10,000	10,000
Miscellaneous	-	<u>4,809</u>	<u>4,809</u>
Total Expenses Before Depreciation Expense	1,324,874	327,920	1,652,794
Depreciation Expense	-	<u>5,657</u>	<u>5,657</u>
Total Expenses	<u>\$1,324,874</u>	<u>\$333,577</u>	<u>\$1,658,451</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2010

	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMIN.</u>	<u>2010 TOTAL EXPENSES</u>
USA Swimming (See Note 1)	\$866,788		\$866,788
Salaries		\$167,855	167,855
Payroll taxes		12,886	12,886
Employee benefits		31,317	31,317
Stipends	27,450		27,450
Club incentive	64,770		64,770
Coaches College	4,648		4,648
Age group meet expenses	15,058		15,058
Age group camp expenses	14,840		14,840
Championship meet expenses	182,938		182,938
Uniforms	4,752		4,752
Zones	10,451		10,451
Officials expenses	18,750		18,750
Awards	18,622		18,622
Banquet expenses	23,063		23,063
Sponsorship Expenses		10,056	10,056
Occupancy (Note 3)		18,530	18,530
Telephone		4,414	4,414
Computer expense		4,211	4,211
Insurance expense		1,451	1,451
Office expense		14,412	14,412
Postage and freight		5,164	5,164
Professional fees		8,962	8,962
Public relations expense		5,000	5,000
Conferences/meetings		13,279	13,279
Other travel and entertainment		7,681	7,681
Miscellaneous	-	<u>10,035</u>	<u>10,035</u>
Total Expenses Before Depreciation Expense	1,252,130	315,253	1,567,383
Depreciation Expense	-	<u>5,716</u>	<u>5,716</u>
Total Expenses	<u>\$1,252,130</u>	<u>\$320,969</u>	<u>\$1,573,099</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$59,218	\$99,782
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	5,657	5,716
(Increase) decrease in operating assets:		
Certificates of deposit	182,872	(29,374)
Miscellaneous receivables		
Prepaid expenses	1,209	(5,325)
Deposits	1,529	(3,184)
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(963)	(1,156)
Club overpayments	8,447	
Unearned revenue	<u>558</u>	<u>8,283</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>258,527</u>	<u>74,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of long-term investments	(22,000)	(60,000)
(Increase) decrease in long-term investments	(38,420)	(12,606)
Purchase of property and equipment	<u>(3,592)</u>	<u>(9,010)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(64,012)</u>	<u>(81,616)</u>
NET DECREASE IN CASH/ CASH EQUIVALENTS	194,515	(6,874)
Cash and cash equivalents, beginning of fiscal year	<u>141,412</u>	<u>148,286</u>
Cash and cash equivalents, end of fiscal year	<u>\$335,927</u>	<u>\$141,412</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid during the fiscal year ending August 31	<u>\$0</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2011 AND 2010

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

Illinois Swimming Incorporated (ISI) is the local governing body for USA Swimming (USAS) in Illinois and is responsible for the conduct and administration of USA Swimming activities and programs in Illinois. The objectives and primary purpose of the ISI shall be the education, instruction and training of individuals to develop and improve their capabilities in the sport of swimming. ISI shall promote swimming for the benefit of swimmers of all ages and abilities, in accordance with the standards, rules, regulations, policies and procedures of a number of governing bodies including USAS which is the national governing body responsible for tracking the competitive activities of individual swimmers and clubs across the United States, as well as for US athletes competing in other countries.

Basis of Accounting:

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation:

Illinois Swimming has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," which requires the Institute to report information according to three classes of net assets, (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

ISI has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," which requires contributions to be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions to the Institute are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ILLINOIS SWIMMING INCORPORATED
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accordingly, net assets and changes therein are classified as follows in the accompanying financial statements:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporary restricted net assets – Net assets subject to donor imposed stipulations that may or will be met by actions of the ISI and/or the passage of time. As of August 31, 2011 and 2010, Illinois Swimming did not have any temporary restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are maintained permanently by Illinois Swimming. As of August 31, 2011 and 2010, ISI did not have any permanently restricted net assets.

SFAS No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations,” has also been adopted by the Institute. ISI’s investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of assets.

ILLINOIS SWIMMING INCORPORATED
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Tax Status:

Illinois Swimming has received a determination letter stating that it is exempt from Federal income taxes under Section 501 (a) of the Internal Revenue Code as an organization described in Section 501 (c) (3).

Cash and Cash Equivalents:

Cash equivalents consist of money market funds with maturities of three months or less and are to be used for operating purposes.

Functional Allocation of Expenses:

The costs of providing ISI's programs and other activities have been summarized on a functional basis in the statement of activities. This required the allocation of certain costs among the various programs and supporting services based upon estimates made by management.

Management has identified the following functional areas:

Program services – Overseeing the conduct and administration of USA Swimming activities and programs in Illinois.

Support services – General administration of the organization.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

ILLINOIS SWIMMING INCORPORATED
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments:

ISI invests in equity securities for its athlete assistance fund (see footnote 2) and this investment fund is included in the accompanying statement of financial position as of August 31, 2011 and 2010 as long-term investments at its fair market value. This valuation is higher by \$59,326 and \$2,973 for the fiscal years ending August 31, 2011 and 2010, respectively, compared to the prior fiscal year and these amounts are included in the accompanying statements of activities as an unrealized gain (loss) on investments. Realized losses of \$(26,645) and realized gains of \$3,381 for the fiscal years ending August 31, 2011 and 2010, respectively are also included in the accompanying statements of activities.

Property and Equipment and Depreciation:

Property and equipment are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

ILLINOIS SWIMMING INCORPORATED
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

2. INVESTMENTS – ATHLETE ASSISTANCE FUND:

ISI set up an investment account in 2000 to provide assistance and/or recognition to ISI athletes who show potential for national and/or international swimming competition. ISI transferred an initial amount of \$100,000 in 2000 and made subsequent transfers totaling \$110,000 for the years 2001 and 2002. In addition, the board of directors authorized the transfer of \$104,000 for the year 2003 and the fiscal year ending August 31, 2005 but this transfer did not happen until February, 2006. The board of directors designated an additional \$30,000 for the fiscal year ending August 31, 2007, \$10,000 for the fiscal year ending August 31, 2009, \$60,000 for the fiscal year ending August 31, 2010, and \$22,000 for the fiscal year ending August 31, 2011 to be transferred to the athlete assistance fund. No amount was transferred during the year ending August 31, 2008. However, since the funds are invested in equity securities the amounts are subject to market fluctuations (see previous footnote). As of August 31, 2011, the total amount designated by the board of directors for athlete assistance is \$498,140. Subsequent annual transfers will be made from future increases in net assets, with a minimum goal of 25% and a maximum of 100%. However, the board of directors, at its discretion, may adjust this amount.

3. COMMITMENTS AND CONTINGENCIES:

ISI leases approximately 1,336 square feet in Des Plaines which expires on October 31, 2015. The approximate future annual rental commitment under this lease as of August 31, 2011 is as follows:

2012	19,679
2013	20,273
2014	20,878
2015	21,505
2016	<u>4,028</u>
	<u>\$86,363</u>