

ILLINOIS SWIMMING INCORPORATED

FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

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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 (an Illinois not-for-profit organization) as of August 31, 2009 and 2008 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's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2009 and 2008, 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 9, 2009

ILLINOIS SWIMMING INCORPORATED
STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$148,286	\$226,946
Certificate of deposits - short-term maturities	153,498	11,485
Miscellaneous receivables		6,422
Prepaid expenses	<u>2,000</u>	<u>7,474</u>
Total current assets	<u>303,784</u>	<u>252,327</u>
Long-term investments (Notes 1 and 2)	<u>365,114</u>	<u>385,629</u>
Property and equipment, at cost		
Office furniture and equipment	7,308	7,308
Computers and software	<u>19,239</u>	<u>18,705</u>
	26,547	26,013
Less accumulated depreciation	<u>(15,007)</u>	<u>(11,797)</u>
	<u>11,540</u>	<u>14,216</u>
Lease deposits	<u>1,529</u>	<u>1,529</u>
TOTAL ASSETS	<u>\$681,967</u>	<u>\$653,701</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	3,035	\$15,213
Unearned revenue	<u>1,550</u>	<u>16,575</u>
Total current liabilities	<u>4,585</u>	<u>31,788</u>
Commitments (Note 3)		
Net assets:		
Net assets designated for athlete assistance fund (Note 2)	365,114	385,629
Unrestricted net assets	<u>312,268</u>	<u>236,284</u>
Total net assets	<u>677,382</u>	<u>621,913</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$681,967</u>	<u>\$653,701</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, 2009 AND 2008

	<u>2009</u>	<u>2009</u> <u>ATHLETE</u>	<u>2009</u>	<u>2008</u>
	<u>UNRESTRICTED</u>	<u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:				
Contributions	<u>2,064</u>	<u>3,085</u>	<u>5,149</u>	<u>500</u>
Total Support	<u>2,064</u>	<u>3,085</u>	<u>5,149</u>	<u>500</u>
Revenue:				
Registration fees	\$1,161,812		\$1,161,812	\$1,077,074
Program service	239,290		239,290	225,723
Other programs	181,034		181,034	150,891
Miscellaneous income	33,538		33,538	18,984
Interest income	3,934		3,934	6,656
Investment income, net of expenses		\$12,917	12,917	24,889
Realized loss on investments		(14,045)	(14,045)	(4,751)
Unrealized loss on investments	-	<u>(32,472)</u>	<u>(32,472)</u>	<u>(67,277)</u>
Total Revenue	<u>1,619,608</u>	<u>(33,600)</u>	<u>1,586,008</u>	<u>1,432,189</u>
 TOTAL SUPPORT & REVENUE	 <u>1,621,672</u>	 <u>(30,515)</u>	 <u>1,591,157</u>	 <u>1,432,689</u>
EXPENSES:				
Program services	1,234,254		1,234,254	1,171,116
Support services: General & administrative	<u>301,434</u>	<u>-</u>	<u>301,434</u>	<u>298,541</u>
TOTAL EXPENSES	<u>1,535,688</u>	<u>-</u>	<u>1,535,688</u>	<u>1,469,657</u>
 INCREASE IN NET ASSETS	 85,984	 (30,515)	 55,469	 (36,968)
Net assets, Beginning of fiscal year	236,284	385,629	621,913	658,881
Transfer between funds – (Note 2)	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Net assets, end of fiscal year	<u>\$312,268</u>	<u>\$365,114</u>	<u>\$677,382</u>	<u>\$621,913</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2009

	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMIN.</u>	<u>2009 TOTAL EXPENSES</u>
USA Swimming (See Note 1)	\$856,500		\$856,500
Salaries		\$162,108	162,108
Payroll taxes		12,884	12,884
Employee benefits		29,219	29,219
Stipends	28,500		28,500
Club incentive	61,450		61,450
Coaches College	7,670		7,670
Meet expenses	5,437		5,437
Age group meet expenses	20,995		20,995
Age group camp expenses	15,038		15,038
Championship meet expenses	162,500		162,500
Uniforms	11,917		11,917
Officials expenses	18,441		18,441
Awards	12,158		12,158
Banquet expenses	27,402		27,402
Swimposium expense	6,246		6,246
Occupancy (Note 3)		18,015	18,015
Telephone		3,645	3,645
Computer expense		4,636	4,636
Insurance expense		1,495	1,495
Office expense		11,678	11,678
Office equipment rental		340	340
Postage and freight		5,438	5,438
Professional fees		7,500	7,500
Conferences/meetings		22,424	22,424
Other travel and entertainment		8,516	8,516
Miscellaneous	<u>-</u>	<u>10,326</u>	<u>10,326</u>
Total Expenses Before Depreciation Expense	1,234,254	298,224	1,532,478
Depreciation Expense	<u>-</u>	<u>3,210</u>	<u>3,210</u>
Total Expenses	<u>\$1,234,254</u>	<u>\$301,434</u>	<u>\$1,535,688</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2008

	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMIN.</u>	<u>2008 TOTAL EXPENSES</u>
USA Swimming (See Note 1)	\$775,017		\$775,017
Salaries		\$158,586	158,586
Payroll taxes		12,364	12,364
Employee benefits		28,154	28,154
Stipends	27,500		27,500
Club incentive	68,900		68,900
Olympic support	26,000		26,000
Olympic trials	5,400		5,400
Meet expenses	17,069		17,069
Age group meet expenses	29,817		29,817
Age group camp expenses	20,718		20,718
Championship meet expenses	123,804		123,804
Uniforms	4,002		4,002
Officials expenses	23,288		23,288
Awards	11,230		11,230
Banquet expenses	31,479		31,479
Swimposium expense	6,892		6,892
Occupancy (Note 3)		17,250	17,250
Telephone		2,659	2,659
Computer expense		6,763	6,763
Insurance expense		1,519	1,519
Office expense		11,797	11,797
Office equipment rental		3,046	3,046
Postage and freight		5,575	5,575
Professional fees		7,572	7,572
Conferences/meetings		19,712	19,712
Other travel and entertainment		15,180	15,180
Miscellaneous	-	<u>3,940</u>	<u>3,940</u>
Total Expenses Before Depreciation Expense	1,171,116	294,117	1,465,233
Depreciation Expense	-	<u>4,424</u>	<u>4,424</u>
Total Expenses	<u>\$1,171,116</u>	<u>\$298,541</u>	<u>\$1,469,657</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ILLINOIS SWIMMING INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$55,469	(\$36,968)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	3,210	4,424
(Increase) decrease in operating assets:		
Certificates of deposit	(142,013)	(551)
Miscellaneous receivables	6,422	3,419
Prepaid expenses	5,474	2,031
Investments (short and long-term)	20,515	47,139
Decrease in operating liabilities:		
Accounts payable and accrued liabilities	(12,178)	(13,578)
Unearned revenue	<u>(15,025)</u>	<u>(225)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(78,126)</u>	<u>5,691</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(534)</u>	<u>(7,788)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(534)</u>	<u>(7,788)</u>
NET DECREASE IN CASH/ CASH EQUIVALENTS	(78,660)	(2,097)
Cash and cash equivalents, beginning of fiscal year	<u>226,946</u>	<u>229,043</u>
Cash and cash equivalents, end of fiscal year	<u>\$148,286</u>	<u>\$226,946</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, 2009 AND 2008

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, 2009 AND 2008

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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 AND 2008

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, 2009 AND 2008

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, 2009 and 2008 as long-term investments at its fair market value. This valuation is lower by \$(32,472) and \$(67,277) for the fiscal years ending August 2009 and 2008, respectively, compared to the prior fiscal year and this amount is included in the accompanying statements of activities as an unrealized loss on investments.

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, 2009 AND 2008

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 and \$10,000 for the fiscal year ending August 31, 2009 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, 2009, the total amount designated by the board of directors for athlete assistance is \$365,114. 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:

The lease for approximately 1,149 square feet in Des Plaines began on January 15, 2005 and expires on January 14, 2010 at which point the lease becomes a month-to-month lease.