

OHIO SWIMMING, INC.  
FINANCIAL STATEMENTS - CASH BASIS  
FOR THE YEARS ENDED  
AUGUST 31, 2008 AND 2007

OHIO SWIMMING, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ohio Swimming, Inc.

We have audited the accompanying statements of cash receipts and disbursements of Ohio Swimming, Inc. (a non-profit organization) for the years ending August 31, 2008 and 2007. These financial statements are the responsibility of the Organization'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 audit 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 provides a reasonable basis for our opinion.

As described in Note B, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statements of cash receipts and disbursements of Ohio Swimming, Inc. for the years ending August 31, 2008 and 2007 are presented fairly, in all material respects, on the basis of accounting described in Note B.

KIRSCH CPA GROUP, LLC  
Oxford, OH  
January 19, 2009

Ohio Swimming, Inc.  
 Statements of Cash Receipts and Disbursements  
 For the Years Ended August 31, 2008 and August 31, 2007

	2008			2007		
	Cash & Cash Equivalents	Certificates of Deposit	Total	Cash & Cash Equivalents	Certificates of Deposit	Total
<b>CASH RECEIPTS</b>						
Membership Dues	\$ 332,700	\$ 0	\$ 332,700	\$ 335,778	\$ 0	\$ 335,778
Donations	0	0	0	1,500	0	1,500
Other Income	1,641	0	1,641	0	0	0
Zone Team	51,123	0	51,123	0	0	0
Interest Income	1,684	4,106	5,790	3,066	0	3,066
Sanctions & Meet Revenue	81,173	0	81,173	84,498	0	84,498
Restitution received (Note D)	<u>8,508</u>	<u>0</u>	<u>8,508</u>	<u>87,828</u>	<u>0</u>	<u>87,828</u>
<b>TOTAL CASH RECEIPTS</b>	<b>476,828</b>	<b>4,106</b>	<b>480,934</b>	<b>512,670</b>	<b>0</b>	<b>512,670</b>
<b>CASH DISBURSEMENTS</b>						
Membership Fees - USA Swimming	266,513	0	266,513	282,858	0	282,858
Accounting fees	7,375	0	7,375	7,205	0	7,205
Legal fees	0	0	0	17,676	0	17,676
Supplies	10,987	0	10,987	15,370	0	15,370
Conventions and clinics	10,539	0	10,539	7,226	0	7,226
Website	7,500	0	7,500	11,250	0	11,250
Awards	12,587	0	12,587	11,392	0	11,392
Travel	91,680	0	91,680	37,445	0	37,445
Facilities fees	25,000	0	25,000	23,300	0	23,300
Contract Labor	12,841	0	12,841	12,700	0	12,700
Outreach	625	0	625	0	0	0
Miscellaneous	<u>124</u>	<u>0</u>	<u>124</u>	<u>128</u>	<u>0</u>	<u>128</u>
<b>TOTAL CASH DISBURSEMENTS</b>	<b>445,772</b>	<b>0</b>	<b>445,772</b>	<b>426,550</b>	<b>0</b>	<b>426,550</b>
<b>INTERFUND TRANSFERS</b>						
Purchase of Certificates of Deposit	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>(112,070)</u>	<u>112,070</u>	<u>0</u>
<b>TOTAL INTERFUND TRANSFERS</b>	<b><u>(10,000)</u></b>	<b><u>10,000</u></b>	<b><u>0</u></b>	<b><u>(112,070)</u></b>	<b><u>112,070</u></b>	<b><u>0</u></b>
<b>TOTAL INCREASE OR DECREASE FOR THE YEAR</b>	<b>21,056</b>	<b>14,106</b>	<b>35,162</b>	<b>(25,950)</b>	<b>112,070</b>	<b>86,120</b>
<b>BALANCE, BEGINNING OF YEAR - UNRESTRICTED</b>	<b><u>29,054</u></b>	<b><u>112,070</u></b>	<b><u>141,124</u></b>	<b><u>55,005</u></b>	<b><u>0</u></b>	<b><u>55,005</u></b>
<b>BALANCE, END OF YEAR - UNRESTRICTED</b>	<b><u>\$ 50,110</u></b>	<b><u>\$ 126,176</u></b>	<b><u>\$ 176,286</u></b>	<b><u>\$ 29,054</u></b>	<b><u>\$ 112,070</u></b>	<b><u>\$ 141,124</u></b>

The accompanying notes are an integral part of these financial statements.

Ohio Swimming, Inc.  
Notes to Financial Statements  
August 31, 2008 and 2007

NOTE A – GENERAL INFORMATION

Ohio Swimming, Inc. (the Organization) is a not-for-profit organization formed for the education, instruction, and training of all individuals. Its purpose is to develop and improve individual capabilities in the sport of swimming for swimmers of all ages and abilities in accordance with the standards and the rules prescribed by the Federation Internationale de Natation Amateur, USA Swimming, and Ohio Swimming, Inc. It services primarily Northern Kentucky and Ohio.

The Organization receives its revenue primarily from membership dues charged to its members as well as monies received from participation fees charged at various swim meets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the cash basis of accounting. Such basis differs from the accrual basis of accounting in that it provides for the recognition of revenues and other receipts when received rather than when earned and the recognition of expenses and other outlays when disbursed rather than when incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents and certificates of deposit approximates fair value due to the short maturity of these instruments.

Cash and Cash Equivalents

The Organization considers all short-term investments with original maturities of three months or less to be cash equivalents.

Ohio Swimming, Inc.  
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Income Taxes

The Organization is exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(3) and does not currently conduct any activities that would result in the imposition of the unrelated business income tax. The Internal Revenue Service has determined that the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Net Assets

The Organization follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations pertaining to the classification of net assets. Under SFAS No. 117, the Organization is required to report net assets according to three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are not subject to donor-imposed stipulations and are available for general operations of the organization.

Contributions of cash are temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset to a specific time period or purpose. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is received. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of cash receipts and disbursements as net assets released from restrictions.

Permanently restricted net assets would result from donor-imposed restrictions that limit the use of net assets in perpetuity.

At August 31, 2008, unrestricted net assets were \$176,286 (August 31, 2007 - \$141,124). There were no temporarily or permanently restricted net assets as of August 31, 2008 or at August 31, 2007.

Ohio Swimming, Inc.  
Notes to Financial Statements  
August 31, 2008 and 2007

Advertising Costs

Advertising costs are expensed as incurred.

NOTE C –CERTIFICATES OF DEPOSIT

The certificates of deposit balance at August 31, 2008 and August 31, 2007 consists of certificates of deposit with original maturities of greater than three months. At August 31, 2008, the certificates of deposit mature between September 1, 2008 and August 1, 2009 and bear interest at rates ranging from 3.6% to 5% (2007 – 5% to 5.3%).

NOTE D – PROMISSORY NOTE

The Organization's former treasurer embezzled in excess of \$225,000 during his term beginning in 1985 and ending in 2005. In fiscal 2006, the Organization received \$100,000 from an insurance company for a claim related to this embezzlement case.

In September 2006, the former treasurer entered into a settlement agreement with the Organization and its insurance company. In that agreement, the former treasurer agreed to pay \$74,828 to the Organization as restitution, which he paid during fiscal 2007.

In addition, the former treasurer entered into a promissory note for \$115,000 to be split between the Organization and the insurance company as to be mutually agreed upon. The note bears interest at 6% per annum and is payable in monthly payments of principal and interest of \$2,000 commencing on October 15, 2006 through February 15, 2012 at which time any remaining principal and interest is due. Each payment is divided equally with \$1,000 paid to the Organization and \$1,000 paid to the insurance company. The note cannot be discharged in the event of any bankruptcy filed whether voluntarily or involuntarily. During 2008, the former treasurer paid approximately \$8,500 to the Organization although he was scheduled to pay \$12,000.

NOTE E – RELATED PARTY TRANSACTIONS

The Organization collects membership dues from individuals and families who wish to become members of Ohio Swimming and its national affiliate USA Swimming. Ohio Swimming paid \$266,513 to USA Swimming for USA Swimming's portion of membership revenue collected for the year ended August 31, 2008, all of which related to fiscal 2008 (August 31, 2007 - \$282,858, including \$19,502 related to the year ended August 31, 2006).

Ohio Swimming, Inc.  
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NOTE F – CONCENTRATIONS

The Organization maintains cash balances and certificates of deposit at two financial institutions. The cash and certificates of deposit balances in a financial institution during the year may exceed the \$100,000 amount insured by the Federal Deposit Insurance Corporation (FDIC). However, subsequent to year-end, the FDIC raised the insurance limits. The Organization's cash and certificates of deposit are no longer considered to be subject to credit risk as the account balances are generally within the increased FDIC insurance limits.

NOTE G – FUNCTIONAL EXPENSES

Cash disbursements are shown on the statement of cash receipts and cash disbursements based on their natural expense classification. With indirect expenses allocated to the Organization's functions (based on management's estimates of efforts devoted to these activities), cash disbursements are as follows:

	<u>2008</u>	<u>2007</u>
Program Services (Awards, Travel, Meet Facilities)	\$ 141,224	\$ 83,278
Membership Services	266,513	282,858
General Management	38,035	60,414
	<u>\$ 445,772</u>	<u>426,550</u>

General Management consists of the following:

	<u>2008</u>	<u>2007</u>
Legal Fees	\$ -	\$ 17,676
Accounting Fees	7,375	7,205
Contract Labor		
Bookkeeping Services	4,800	4,800
Registration Services	6,000	6,100
Webmaster	2,041	1,800
Website	7,500	11,250
Supplies	9,570	11,455
Outreach	625	-
Miscellaneous	124	128
	<u>\$ 38,035</u>	<u>\$ 60,414</u>

Website expenses are comprised of Swim Connection fees. The 2007 balance includes \$3,750 related to the year ended August 31, 2006.