

PACIFIC SWIMMING, INC.

(A Not-for-Profit Corporation)

Financial Statements and Report of Independent Auditors

Years Ended August 31, 2021 and 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pacific Swimming Inc.
Concord, California

We have audited the accompanying financial statements of Pacific Swimming, Inc. which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Swimming, Inc. as of August 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2020 financial statements were reviewed by us and our report thereon, dated January 8, 2021, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

As discussed in Note 7 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

February 7, 2022

PACIFIC SWIMMING
(A Not-for-Profit Corporation)
Statements of Financial Position
August 31, 2021 and 2020

	<u>2021</u> (audited)	<u>2020</u> (unaudited)
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 658,500	\$ 748,505
Accounts receivable	722	1,553
Merchandise inventory	8,663	6,089
Investments	3,648,415	3,225,167
Prepaid expenses	<u>13,917</u>	<u>27,580</u>
Total assets	<u>\$ 4,330,217</u>	<u>\$ 4,008,894</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other accrued expenses	\$ 35,592	\$ 53,666
Accrued vacation	6,385	7,157
Grants payable	-	101,400
Line of credit payable	474,243	475,043
Deferred revenue - PPP loan	<u>43,932</u>	<u>52,380</u>
Total liabilities	560,152	689,646
NET ASSETS:		
Without donor restrictions	3,730,876	3,291,748
With donor restrictions	<u>39,189</u>	<u>27,500</u>
Total net assets	<u>3,770,065</u>	<u>3,319,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,330,217</u>	<u>\$ 4,008,894</u>

See independent auditors' report and notes to these financial statements

PACIFIC SWIMMING
(A Not-for-Profit Corporation)
Statements of Activities
Years Ended August 31, 2021 and 2020

	2021 (audited)			2020 (unaudited)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:						
Program revenue and support:						
Member dues	\$ 138,158	\$ -	\$ 138,158	\$ 203,801	\$ -	\$ 203,801
Meet revenue	179,313	-	179,313	389,606	-	389,606
Age group revenue	-	-	-	31,635	-	31,635
Camps and other programs	-	-	-	9,005	-	9,005
Merchandise sales, net of cost of goods sold	(15)	-	(15)	(1,116)	-	(1,116)
Other program revenues	2,010	-	2,010	28,259	-	-
Paycheck protection program loan forgiven	52,380	-	52,380	-	-	-
Contributions and sponsorships	3,510	-	3,510	35,718	27,500	63,218
Special events	-	22,164	22,164	-	-	-
Net assets released from donor restrictions	10,475	(10,475)	-	-	-	-
Total program revenues and support	<u>385,831</u>	<u>11,689</u>	<u>397,520</u>	<u>696,908</u>	<u>27,500</u>	<u>696,149</u>
EXPENSES:						
Program services	242,114	-	242,114	1,592,246	-	1,592,246
Supporting services:						
Management and general	184,957	-	184,957	190,203	-	190,203
Development	9,321	-	9,321	-	-	-
Total expenses	<u>436,392</u>	<u>-</u>	<u>436,392</u>	<u>1,782,449</u>	<u>-</u>	<u>1,782,449</u>
Excess of program revenues and support over expenses	<u>(50,561)</u>	<u>11,689</u>	<u>(38,872)</u>	<u>(1,085,541)</u>	<u>27,500</u>	<u>(1,086,300)</u>
Investment income and net gains:						
Interest and dividends	75,110	-	75,110	93,681	-	93,681
Net realized and unrealized gains on investments	448,377	-	448,377	308,613	-	308,613
Investment fees	(33,798)	-	(33,798)	(32,047)	-	-
Net investment income and gains	<u>489,689</u>	<u>-</u>	<u>489,689</u>	<u>370,247</u>	<u>-</u>	<u>402,294</u>
CHANGE IN NET ASSETS	439,128	11,689	450,817	(715,294)	27,500	(687,794)
NET ASSETS, BEGINNING OF YEAR	<u>3,291,748</u>	<u>27,500</u>	<u>3,319,248</u>	<u>4,007,042</u>	<u>-</u>	<u>4,007,042</u>
NET ASSETS, END OF YEAR	<u>\$ 3,730,876</u>	<u>\$ 39,189</u>	<u>\$ 3,770,065</u>	<u>\$ 3,291,748</u>	<u>\$ 27,500</u>	<u>\$ 3,319,248</u>

See independent auditors' report and notes to these financial statements

PACIFIC SWIMMING
(A Not-for-Profit Organization)
Statement of Functional Expenses
Year Ended August 31, 2021

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2021 (audited)

	Program										
	Zone Meets	Other LSC and Zone Related	Banquets and Events	Age Group Meets	National/Senior	Camps and Diversity	Officials and Other Program	Total Program	Management and General	Development - Special Events	Total
Salaries and wages	\$ -	\$ 42,246	\$ -	\$ -	\$ 21,123	\$ 16,898	\$ 17,532	\$ 97,799	\$ 113,431	\$ -	\$ 211,230
Payroll taxes	-	3,327	-	-	1,664	1,331	1,381	7,703	8,933	-	16,636
Workers' compensation insurance	-	288	-	-	144	115	120	667	774	-	1,441
Paid time off expense	-	(153)	-	-	(76)	(61)	(63)	(353)	(410)	-	(763)
Payroll service fees	-	312	-	-	156	125	129	722	837	-	1,559
Accounting and related	-	-	-	-	-	-	-	-	26,991	-	26,991
Contractors and other professional services	-	-	-	-	-	-	-	-	3,600	-	3,600
Volunteers - background checks and per diems	-	-	-	-	-	-	489	489	-	-	489
Awards	-	363	-	-	-	-	-	363	-	-	363
Printing and copying	-	554	-	-	-	-	-	554	-	-	554
Rent	-	10,000	-	-	-	-	-	10,000	7,622	-	17,622
Equipment and related	-	9,678	-	-	-	-	-	9,678	1,922	-	11,600
In-kind donations - supplies	-	-	-	-	-	-	-	-	-	8,451	8,451
Postage and delivery	-	-	-	-	-	-	-	-	212	-	212
Travel and mileage	-	-	-	-	-	-	-	-	148	-	148
Information technology and telephone	-	-	-	-	-	-	-	-	3,517	-	3,517
Insurance	-	-	-	-	-	-	-	-	1,105	-	1,105
Bank fees	-	-	-	-	-	-	-	-	529	635	1,164
Grants, subsidies, and sponsorships	-	4,000	-	-	92,688	17,728	-	114,416	-	-	114,416
Interest and finance charges	-	-	-	-	-	-	-	-	15,608	-	15,608
Miscellaneous	-	76	-	-	-	-	-	76	138	235	449
	<u>\$ -</u>	<u>\$ 70,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,699</u>	<u>\$ 36,136</u>	<u>\$ 19,588</u>	<u>\$ 242,114</u>	<u>\$ 184,957</u>	<u>\$ 9,321</u>	<u>\$ 436,392</u>

See independent auditors' report and notes to these financial statements

PACIFIC SWIMMING
(A Not-for-Profit Organization)
Statement of Functional Expenses
Year Ended August 31, 2020

	2020 (unaudited)									
	Program							Total Program	Management and General	Total
Zone Meets	Other LSC and Zone Related	Banquets and Events	Age Group Meets	National/ Senior	Camps and Diversity	Officials and Other Program				
Salaries and wages	\$ 6,161	\$ 36,963	\$ 55,445	\$ 12,321	\$ -	\$ 12,321	\$ 25,367	\$ 148,578	\$ 97,843	\$ 246,421
Payroll taxes	490	2,942	4,413	981	-	981	2,018	11,825	7,788	19,613
Workers' compensation insurance	34	203	304	68	-	68	137	814	537	1,351
Paid time off expense	102	614	922	205	-	205	422	2,470	1,626	4,096
Payroll service fees	40	242	363	81	-	81	165	972	641	1,613
Development, training, and education	-	-	-	73,576	19,639	25,450	-	118,665	-	118,665
Legal services	-	-	-	-	-	-	-	-	3,000	3,000
Accounting and related	-	-	-	-	-	-	-	-	37,903	37,903
Contractors and other professional services	10,375	-	7,800	-	-	-	-	18,175	300	18,475
Volunteers - background checks and per diems	-	-	-	-	-	-	5,871	5,871	-	5,871
Awards	7,565	-	18,480	-	-	-	2,681	28,726	-	28,726
Printing and copying	310	-	-	-	-	-	-	310	-	310
Rent	32,468	-	1,103	-	-	-	-	33,571	22,933	56,504
Food and venue	19,296	-	12,117	-	-	-	-	31,413	-	31,413
Equipment and related	150	10,951	-	-	-	-	1,054	12,155	4,150	16,305
Clinics	-	-	-	-	-	-	28,308	28,308	-	28,308
Depreciation	-	-	-	-	-	-	-	-	741	741
Supplies	1,555	-	-	-	-	-	4,451	6,006	3,821	9,827
Postage and delivery	-	-	-	-	-	-	-	-	580	580
Meetings and conferences	-	-	-	-	-	-	33,994	33,994	214	34,208
Travel and mileage	-	-	-	-	76,600	1,110	5,552	83,262	50	83,312
Information technology and telephone	-	-	-	-	-	-	-	-	5,375	5,375
Insurance	-	-	-	-	-	-	-	-	1,067	1,067
Bank fees	-	-	-	-	-	-	-	-	1,431	1,431
Grants, subsidies, and sponsorships	2,666	991,028	-	-	-	32,583	-	1,026,277	-	1,026,277
Interest and finance charges	-	-	-	-	-	-	-	-	43	43
Miscellaneous	854	-	-	-	-	-	-	854	160	1,014
	<u>\$ 82,066</u>	<u>\$ 1,042,943</u>	<u>\$ 100,947</u>	<u>\$ 87,232</u>	<u>\$ 96,239</u>	<u>\$ 72,799</u>	<u>\$ 110,020</u>	<u>\$ 1,592,246</u>	<u>\$ 190,203</u>	<u>\$ 1,782,449</u>

See independent auditors' report and notes to these financial statements

PACIFIC SWIMMING
(A Not-for-Profit Corporation)
 Statements of Cash Flows
 Years Ended August 31, 2021 and 2020

	2021 <u>(audited)</u>	2020 <u>(unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 450,817	\$ (687,794)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on investments	(448,377)	(276,566)
Depreciation	-	741
Change in operating accounts:		
Receivables	831	15,829
Prepaid expenses and deposits	10,232	(3,640)
Deferred revenue	(8,428)	52,380
Inventory	857	4,930
Grants payable	(101,400)	101,400
Accounts payable and accrued expenses	<u>(18,866)</u>	<u>(87,985)</u>
Net cash used in operating activities	<u>(114,334)</u>	<u>(880,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(1,144,878)	(2,045,789)
Net sales and maturities of investment securities	<u>1,170,008</u>	<u>2,434,196</u>
Net cash provided by investing activities	<u>25,130</u>	<u>388,407</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	(11,090)	-
Proceeds from line of credit	<u>10,289</u>	<u>475,043</u>
Net cash provided by (used in) financing activities	<u>(801)</u>	<u>475,043</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(90,005)	(17,255)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>748,505</u>	<u>765,759</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 658,500</u>	<u>\$ 748,504</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for:		
Interest	<u>\$ 15,608</u>	<u>\$ 21,952</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and notes to these financial statements

PACIFIC SWIMMING, INC.
(A Not-for-Profit Organization)
Notes to the Financial Statements
Years Ended August 31, 2021 (audited) and 2020 (unaudited)

1. THE ORGANIZATION

Pacific Swimming, Inc. (the organization) was incorporated in California in 1980 as a 501(c)(3) public benefit corporation and organized to provide a coordinated program of instruction and advancement of competitive swimming in the Northern California area designated as the Local Swim Committee (LSC) of United States Swimming, Inc. and the U.S. Olympic Committee. In addition, the organization will sponsor certain local competitions and fundraising to provide travel funds for swimmers to regional and national competitions. The organization further provides the necessary administration to adequately represent local competitors' interests in the national and world organizations.

Pacific Swimming is primarily funded by membership dues, contributions, and meet revenue and includes approximately 110 swim clubs and more than 14,000 swimmers. Pacific Swimming is organized into five geographical zones covering Northern California and parts of Nevada. The annual meet schedule includes more than 82 meets, from interclub dual meets to major regional, national, and international competitions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Pacific Swimming, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), which require the organization to report information regarding its financial position and activities according to the following net asset categories:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

PACIFIC SWIMMING, INC.
(A Not-for-Profit Corporation)
Notes to Financial Statements
Years Ended August 31, 2021 and 2020

Cash and Cash Equivalents

The organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Investments and Fair Value Measurements

Investments in marketable securities are stated at fair value, using quoted market prices. Investment transactions are recorded on trade date. Realized gains and losses on sales of investments are determined on the specific identification basis. Investments have been pledged as collateral against the line of credit as further described in Note 3.

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Unadjusted quoted market prices for identified assets and liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted markets that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Concentrations of Credit Risk

Financial instruments, which potentially subject the organization to concentrations of credit risk, consist principally of cash, money market funds, and investments. As of August 31, 2021, Pacific Swimming's cash and equivalents were held by two high quality financial institutions and exceeded the \$250,000 FDIC insured limit by approximately \$389,274.

PACIFIC SWIMMING, INC.
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Notes to Financial Statements
Years Ended August 31, 2021 and 2020

As of August 31, 2021, the organization's investment securities were held by a SIPC-member brokerage firm. SIPC protection extends to losses that may be incurred when a brokerage firm liquidates (up to \$500,000) and does not protect against the decline in value of securities.

Accounts Receivable

Accounts receivable is stated at estimated net realizable value.

Inventory

The organization's inventory consists of swim apparel and is valued at lower of cost or market on a first-in, first-out basis. Management believes all merchandise to be saleable and no allowance has been provided.

Equipment

Equipment is stated at cost at the date of purchase, or, for donated assets, at fair value as of the date of donation, less accumulated depreciation. Pacific Swimming capitalizes equipment additions greater than \$4,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (five years). As of August 31, 2021, equipment of \$6,124 was fully depreciated but still in service.

Costs for major fixed asset renewals and betterments that extend the useful life of existing fixed asset are capitalized. Normal repairs and maintenance are expensed as incurred.

Compensated absences

Vested accumulated vacation is recorded as an expense and liability as benefits accrue to employees. As of August 31, 2021 and 2020, \$6,385 and \$7,157, respectively, has been accrued related to compensated absences in the accompanying statement of financial position.

Grants Payable

The board of directors approved up to \$1 million in grants to local swim clubs due to the COVID-19 pandemic during the year ended August 31, 2020. As of August 31, 2020, \$986,550 in grants had been awarded to local swim clubs and \$885,150 had been paid. As such, \$101,400 in grant awards have been accrued in the accompanying financial statements.

During the year ended August 31, 2021, all grants approved by the board of directors had been paid as of August 31, 2021. Grants made to local swim clubs were primarily related to the diversity, equity, and inclusion programs, as well as travel support. The board awarded certain local swim clubs an additional \$4,000 in disaster grants related to the COVID-19 epidemic during the year ended August 31, 2021.

Revenue Recognition

Membership dues and fee for services revenue are recognized in accordance with generally accepted accounting principles following a five-step process: (1) Identification of contracts with customers, (2) Identification of performance obligations in the contract, (3) Determination of contract price, (4) Allocation of contract price to performance obligations, and (5)

PACIFIC SWIMMING, INC.
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Years Ended August 31, 2021 and 2020

Recognition of revenue when Pacific Swimming satisfies each performance obligation. In terms of membership dues, the membership year coincides with the organization's fiscal year and no performance obligations exist beyond the membership year. Membership dues paid in advance of the following membership year are recognized as deferred revenue at August 31, 2020, as applicable. As of August 31, 2021, no membership dues were paid in advance.

The organization collects and remits a portion of membership dues paid on behalf of USA Swimming. As the national portion of dues is considered an agency transaction, no revenues or expenses are recorded; the organization recognizes a payable to USA Swimming upon dues collection.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of in-kind goods are recognized at estimated fair value when received based on information provided by third party providers. During the year ended August 31, 2021, Pacific Swimming received in-kind goods for use at special events with an estimated fair value of \$11,883. In-kind services are estimated at fair value and recognized as contributions per GAAP if the services (1) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. There were no contributed services meeting the above revenue recognition criteria during the years ended August 31, 2021 and 2020.

Many volunteers have made significant contributions of their time in furtherance of the organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria described above for recognition under GAAP.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly expenses that support more than one function have been allocated among program services, management and general, and fundraising functions based on time and effort reporting and management judgments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

PACIFIC SWIMMING, INC.
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Notes to Financial Statements
Years Ended August 31, 2021 and 2020

Income Taxes

Pacific Swimming is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Tax years including the year ended December 31, 2020 and later are subject to examinations by tax authorities. The organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through February 7, 2022, the date on which the financial statements were available to be issued, and determined that no additional adjustments to or disclosures in the financial statements are deemed necessary, other than those events disclosed in Note 7.

3. LINE OF CREDIT PAYABLE

As of August 31, 2021, Pacific Swimming has a priority line of credit with a bank with an outstanding balance of \$474,243 and an available credit balance of \$1,938,788. The maximum amount of credit that may be extended on the line of credit is based on loanable values of Pacific Swimming's investment securities maintained at the bank. The loan can be called upon demand. The line carries an interest rate based on the WSJ Prime Rate (3.25% as of August 31, 2021).

4. AVAILABILITY AND LIQUIDITY

The following represents Pacific Swimming's financial assets at August 31, 2021 and 2020:

	<u>2021</u> (audited)	<u>2020</u> (unaudited)
Financial assets at year-end:		
Cash and cash equivalents	\$ 658,500	\$ 748,505
Investments	3,648,415	3,225,167
Accounts receivable	722	1,553
Merchandise inventory	<u>5,232</u>	<u>6,089</u>
Total financial assets	4,312,869	3,981,314
Less amounts not available to be used within one year:		
Loanable value of collateral account pledged on line of credit	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,312,869</u>	<u>\$ 1,981,314</u>

PACIFIC SWIMMING, INC.
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Notes to Financial Statements
Years Ended August 31, 2021 and 2020

The organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures, including program expenses, management and general expenses, and any fundraising expenses (as applicable).

The organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the organization

The above table reflects the organization's financial assets as of August 31, 2021 and 2020, reduced by contractual restrictions.

5. INVESTMENTS

The following table reflects fair value measurements of investment assets at August 31, 2021, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2021 Total</u> (audited)
Cash and sweep balances	\$ 64,003	\$ -	\$ -	\$ 64,003
Common stocks and ETFs	2,597,233	-	-	2,597,233
Mutual funds	855,059	-	-	855,059
Preferred stocks	<u>132,120</u>	<u>-</u>	<u>-</u>	<u>132,120</u>
Total investments	<u>\$ 3,648,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,648,415</u>

The following table reflects fair value measurements of investment assets at August 31, 2020, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020 Total</u> (unaudited)
Cash and sweep balances	\$ 151,270	\$ -	\$ -	\$ 151,270
Common stocks and ETFs	2,231,709	-	-	2,231,709
Mutual funds	707,626	-	-	707,626
Preferred stocks	<u>134,553</u>	<u>-</u>	<u>-</u>	<u>134,553</u>
Total investments	<u>\$ 3,225,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,225,167</u>

PACIFIC SWIMMING, INC.
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Pacific Swimming has adopted investment and spending policies for investments that attempt to provide a predictable stream of funding to programs while working to maintain the purchasing power of the portfolio.

Under this policy, the portfolio assets are invested in a manner that is intended to produce results that exceed the price and yield results of various market benchmarks appropriate to the investment classes utilized, while assuming a moderate level of risk. The organization expects its investment portfolio, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from the amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy

Pacific Swimming has a policy of appropriating for distribution each year 4% of its net assets without donor restrictions at the end of the preceding year. In establishing this policy, the organization considered the long-term expected return on its investments. Accordingly, over the long-term, the organization expects the current spending policy to allow its investment portfolio to grow at an average of 3% annually. This is consistent with the organization's objective to maintain the purchasing power of the portfolio, as well as to provide real growth through investment return.

6. NET ASSETS WITH DONOR RESTRICTIONS

Pacific Swimming's net assets with donor restrictions as of August 31, 2021 and 2020 were as follows:

<u>Restriction</u>	<u>2021</u>	<u>2020</u>
Diversity, Equity, and Inclusion program	\$ 15,343	\$ 2,500
MEFAP	<u>23,846</u>	<u>25,000</u>
Total	<u>\$ 39,189</u>	<u>\$ 27,500</u>

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Pacific Swimming's net assets released from donor restrictions during the years ended August 31, 2021 and 2020 are as follows:

<u>Restriction</u>	<u>2021</u>	<u>2020</u>
Diversity, Equity, and Inclusion program	\$ 9,321	\$ -
MEFAP	<u>1,154</u>	<u>-</u>
Total	<u>\$ 10,475</u>	<u>\$ -</u>

7. COVID-19 PANDEMIC

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus.

After close monitoring and guidance from federal, state and local governments and in an effort to mitigate the spread of COVID-19, swim meets were cancelled and organization employees began working remotely effective March 11, 2020. As of the date of this report, the organization has cancelled swim meets and other events and travel for the foreseeable future. The office lease has been terminated effective December 31, 2020. Where possible, remote alternatives are made to ensure business operations continue.

During the year ended August 31, 2020, Pacific Swimming applied for and received a government-funded loan of \$52,380, under the Paycheck Protection Program, which was forgiven during the year ended August 31, 2021 and recognized as revenue in the accompanying financial statements.

Pacific Swimming applied for and received another government-funded loan of \$43,932 under the Paycheck Protection Program, which was forgiven in September 2021 and recognized as revenue during the year ending August 31, 2022.

Additionally, Pacific Swimming investigated their eligibility to receive employee retention credits under an amendment to the CARES Act in early 2021. Subsequent to August 31, 2021, Pacific Swimming amended its fiscal 2021 and 2020 payroll tax returns, estimating credits of \$70,764 receivable from the Internal Revenue Service under this legislation. Due to the uncertainty surrounding such credits, these receivables have not been recorded in the accompanying financial statements as of August 31, 2021.

As the COVID-19 pandemic is complex and rapidly evolving, the organization's plans as described above may change. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.