

UNITED STATES MASTERS SWIMMING, INC.

ACCOUNTANTS' AUDIT REPORT,
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2009)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
United States Masters Swimming, Inc.

We have audited the accompanying statement of financial position of United States Masters Swimming, Inc. (USMS) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of USMS'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USMS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 United States Masters Swimming, Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2009 financial statements were reviewed by us and our report thereon, dated August 10, 2011, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, 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 taken as a whole.

Sarasota, FL
August 10, 2011



UNITED STATES MASTERS SWIMMING, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2009)

<u>Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Cash and cash equivalents	\$ 1,766,067	\$ 12,250
Accounts receivable	21,554	9,082
Promises to give, net		68,095
Accrued interest	1,821	
Certificates of deposit	576,000	
Prepaid expenses	92,943	
Property and equipment, net	76,339	
Beneficial interest in assets held by Community Foundation	12,014	
Due from unrestricted fund		
	<hr/>	<hr/>
Total Assets	\$ <u>2,546,738</u>	\$ <u>89,427</u>
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 72,677	\$
Due to LMSCs	111,424	
Deferred revenue	794,127	
Other liabilities	6,654	
Due to permanently restricted fund	-	
Total liabilities	<hr/> 984,882 <hr/>	<hr/> - <hr/>
Net Assets		
Unrestricted		
Board designated - insurance reserve	120,000	
Board designated - general reserve	708,500	
Undesignated net assets	733,356	
Temporarily restricted		89,427
Permanently restricted		
Total net assets	<hr/> 1,561,856 <hr/>	<hr/> 89,427 <hr/>
Total Liabilities and Net Assets	\$ <u>2,546,738</u>	\$ <u>89,427</u>

<u>Permanently Restricted</u>	<u>Total</u>	(REVIEWED) <u>Total 2009</u>
\$ 6,882	\$ 1,785,199	\$ 751,351
39	30,675	10,789
	68,095	-
	1,821	3,835
	576,000	1,450,000
	92,943	102,873
	76,339	63,630
205,512	217,526	192,015
	-	7,333
<u>\$ 212,433</u>	<u>\$ 2,848,598</u>	<u>\$ 2,581,826</u>
\$	\$ 72,677	\$ 91,737
	111,424	54,927
	794,127	594,594
	6,654	11,565
	-	7,333
<u>-</u>	<u>984,882</u>	<u>760,156</u>
	120,000	120,000
	708,500	635,800
	733,356	866,522
	89,427	-
<u>212,433</u>	<u>212,433</u>	<u>199,348</u>
<u>212,433</u>	<u>1,863,716</u>	<u>1,821,670</u>
<u>\$ 212,433</u>	<u>\$ 2,848,598</u>	<u>\$ 2,581,826</u>

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

UNITED STATES MASTERS SWIMMING, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues and Other Support		
Membership dues	\$ 1,522,136	\$
Sponsorships	203,736	
Contributions	35,673	91,332
Championship meets and events	52,928	
Publications	84,659	
Royalties	25,992	
Interest	10,748	
Other	301	
Total revenues and other support	<u>1,936,173</u>	<u>91,332</u>
Functional Expenses		
Program services		
Member services	1,294,691	
Club and coach services	239,713	
Events	193,431	
Total program services	<u>1,727,835</u>	<u>-</u>
Supporting services		
General and administrative		
Volunteers	80,323	
Staff	212,462	
Fund Raising	29,051	
Total supporting services	<u>321,836</u>	<u>-</u>
Total functional expenses	<u>2,049,671</u>	<u>-</u>
Non-Operating Activities		
Change in value of beneficial interest in assets held by Community Foundation	22,953	
Changes in value of pledge		(1,905)
Loss on disposal of property and equipment		
In-kind contributions	33,109	
Income tax expense	(3,030)	
Total non-operating activities	<u>53,032</u>	<u>(1,905)</u>
Increase (decrease) in net assets	(60,466)	89,427
Net assets, beginning of year	1,622,322	-
Net assets, end of year	\$ <u>1,561,856</u>	\$ <u>89,427</u>

<u>Permanently Restricted</u>	<u>Total</u>	(REVIEWED) <u>Total 2009</u>
\$	\$	\$
	1,522,136	1,340,997
	203,736	148,714
13,085	140,090	16,022
	52,928	36,533
	84,659	109,592
	25,992	12,971
	10,748	23,968
	301	20,115
<u>13,085</u>	<u>2,040,590</u>	<u>1,708,912</u>
	1,294,691	1,160,800
	239,713	238,568
	193,431	156,111
<u>-</u>	<u>1,727,835</u>	<u>1,555,479</u>
	80,323	36,425
	212,462	54,637
	29,051	2,875
<u>-</u>	<u>321,836</u>	<u>93,937</u>
<u>-</u>	<u>2,049,671</u>	<u>1,649,416</u>
	22,953	33,979
	(1,905)	-
	-	(661)
	33,109	16,824
	(3,030)	(2,570)
<u>-</u>	<u>51,127</u>	<u>47,572</u>
13,085	42,046	107,068
199,348	1,821,670	1,714,602
\$ <u>212,433</u>	\$ <u>1,863,716</u>	\$ <u>1,821,670</u>

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

UNITED STATES MASTERS SWIMMING, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)

	<u>2010</u>	<u>(REVIEWED) 2009</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 42,046	\$ 107,068
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	18,810	10,459
Loss on disposal of property and equipment	-	661
Change in value of the promises to give	1,905	-
Change in value of beneficial interest in assets held by Community Foundation	(22,953)	(33,979)
(Increase) decrease in operating assets		
Accounts receivable	(19,886)	(599)
Promises to give	(70,000)	-
Accrued interest	2,014	14,301
Prepaid expenses	9,930	52,788
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(19,060)	40,397
Due to LMSCs	56,497	34,321
Deferred revenue	199,533	104,029
Other liabilities	(4,911)	(345)
Net cash provided by operating activities	<u>193,925</u>	<u>329,101</u>
Cash Flows from Investing Activities		
Transfers from Community Foundation, net	(2,558)	6,759
Maturities of certificates of deposit	874,000	1,978,000
Purchases of certificates of deposit	-	(2,089,000)
Purchases of property and equipment	(31,519)	(61,482)
Net cash provided by (used in) investing activities	<u>839,923</u>	<u>(165,723)</u>
Net increase in cash and cash equivalents	1,033,848	163,378
Cash and cash equivalents, beginning of the year	751,351	587,973
Cash and cash equivalents, end of the year	\$ <u><u>1,785,199</u></u> *	\$ <u><u>751,351</u></u>

* See Note 16

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

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note I - Summary of Significant Accounting Policies

Organization

United States Masters Swimming, Inc. (USMS) is a private non-profit corporation, organized under the laws of the State of Ohio, to promote fitness and health in adults on a national level by offering and supporting Masters swimming programs. USMS is administered locally by Local Masters Swim Committees (LMSCs). Member swimmers and clubs join USMS through their LMSC.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reporting amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

USMS considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. As certificates of deposits matured, USMS held the funds in cash and cash equivalents until the adoption of the new investment policy in January 2011.

Accounts Receivable

Accounts receivable consist of sponsorships and other unpaid balances. Management believes all balances are collectible; accordingly, no allowance of doubtful accounts has been established. Receivables are unsecured and non-interest-bearing.

Promises to Give, Net

Promises to give are recorded in the year the promise is made and discounted to the present value of estimated cash flows and evaluated for collectability each year.

Certificates of Deposit

Certificates of deposit are recorded at cost, which approximates market value.

Property and Equipment

Equipment and furniture are depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. Leasehold improvements are depreciated using the straight-line method over lesser of the life of the improvement or the lease term.

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Donated Goods and Services

Donated goods and services are recorded at their estimated or actual fair market value at the date of the gift. USMS received donated legal services performed by legal counsel, a nonvoting director, totaling \$16,610 for the year ending December 31, 2010. Additionally, for the year ending December 31, 2010, USMS has received merchandise with an estimated value of \$16,499 from sponsors to be given to members at events.

A substantial number of unpaid non-professional volunteers have made significant contributions of their time to support the programs of USMS. USMS is a volunteer organization and as such the estimated value of these donated services has not been recorded in the accompanying financial statements.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of USMS and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of USMS and/or the passage of time. For example: the promises to give, net and Swimming Saves Lives contributions received for future program expenditures that have not been incurred by USMS.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will be maintained permanently by USMS. Generally, the donors of these assets permit USMS to use all or part of the income earned on related investments for general or specific purposes. For example: the assets held at the Central Indiana Community Foundation, Inc.

Deferred Revenue

Advance payments from member and club dues and registrations are deferred and recognized as revenue in the year benefits and services are provided to members.

Income Taxes

USMS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization which is not a private foundation. Therefore, USMS is generally exempt from federal and state income taxes. Unrelated business income may be subject to federal and state taxes (see Note 10).

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the summarized 2009 financial statements have been reclassified to conform to the 2010 reporting presentation. Such reclassifications have no effect on total net assets as previously reported.

Summarized 2009 Financial Statements

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the USMS's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Financial Instruments Not Measured at Fair Value

Certain financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, accounts receivable, accrued interest, prepaid expenses, accounts payable and accrued expenses, due to LMSCs, deferred revenue and other liabilities.

Note 2 - Concentration of Credit Risk

Financial instruments, which potentially subject USMS to concentration of credit risk, include cash and cash equivalents and certificates of deposit. It is USMS's practice to place its cash and cash equivalent assets and certificates of deposit in high credit quality institutions to mitigate this risk. Accounts at these institutions may, at times, exceed federally insured limits. USMS has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Note 3 - Promises to Give, Net

Promises to give are expected to be collected as follows for the year ending December 31:

2011	\$	30,000
2012		40,000
		<u>70,000</u>
Less: Unamortized Discount		(1,905)
Net Promises to Give	\$	<u>68,095</u>

Management has evaluated the promises to give commitment, and has determined that no allowances for uncollectible promises are required as of December 31, 2010.

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 4 - Property and Equipment

Equipment, furniture, leasehold improvements and software development consist of the following as of December 31, 2010:

Furniture and equipment	\$ 91,298
Leasehold improvements	37,537
	<u>128,835</u>
Less: Accumulated depreciation	(52,496)
Property and equipment, net	<u>\$ 76,339</u>

Note 5 - Beneficial Interest in Assets Held by Community Foundation

In September 1997, USMS entered in to an agreement with Central Indiana Community Foundation, Inc. (Community Foundation), whereby USMS transferred assets to the Community Foundation in the establishment of an endowment fund known as U.S. Masters Swimming Endowment Fund (Fund). The aforementioned agreement grants variance power to the Community Foundation, the terms of which include presumption of donor's intent, variance from donor's direction and amendments. Transfers and contributions to the Fund are irrevocable. Distributions of annual earnings (including net income and net appreciation, both realized and unrealized) are allocated to the Fund and are available for distribution in accordance with the spending policy established by USMS's Board of Directors. USMS's beneficial interest in assets held by the Community Foundation as of December 31, 2010 was \$217,526 of which approximately \$18,000 is available for distribution to USMS in 2011.

The Fund is a component part of the Community Foundation, and as such, all assets of the Fund are held in the general assets of the Community Foundation. In the event USMS ceases to exist or the Fund is terminated, the Community Foundation shall devote any remaining assets of the Fund exclusively for charitable or other exempt purposes.

Note 6 - Board Designated Net Assets

USMS, in accordance with their financial operating guidelines, maintains an insurance reserve of \$120,000 for insurance liability deductible and a general reserve totaling four months of their current year budgeted expenses. The general reserve for the year ended December 31, 2010 was \$708,500. The board designated net assets are classified as unrestricted net assets based on the absence of donor-imposed restrictions.

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 7 - Endowment

USMS's endowment consists of funds established for the primary purpose to provide support to USMS to carry out its role and mission as described in their governing documents (see Note 5) and includes donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors have interpreted the Florida Uniform Management of Institutional Funds Act (FUMIFA) as requiring the preservation of the fair value of a donor's original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, USMS classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment.

As of December 31, 2010, endowment net assets composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ 12,032	\$ -	\$ 212,433	\$ 224,465

Changes to endowment net assets for the year ending December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2009	\$ (7,333)	\$ -	\$ 199,348	\$ 192,015
Endowment investment return, net of fees	21,030			21,030
Contributions			13,085	13,085
Appropriation of endowment for expenditure	(1,665)			(1,665)
Endowment net assets, December 31, 2010	\$ 12,032	\$ -	\$ 212,433	\$ 224,465

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 7 - Endowment (Continued)

Return Objectives and Risk Parameters

The endowment's assets are pooled with the investments of the Community Foundation as described above in Note 5 and are invested in accordance with their investment policy. The Community Foundation has adopted the following investment policies for pooled investments: 1) Attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the fund. 2) Invest in a manner that is intended to produce results that exceed each investment strategy's respective index while assuming a moderate level of investment risk. 3) Achieve an annualized total return (net of fees and expenses), equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum maintaining the purchasing power of the investment pools. 4) Manage the assets in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, USMS relies on a total return strategy of the Community Foundation in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

USMS has a policy to appropriate distributions totaling approximately 5% of the fair value of the Fund at year-end preceding the calendar year in which the distribution is planned. USMS may make distributions to fund their operating budget and special projects. In establishing this policy, USMS considered the long-term expected return on its endowment of 7%. Accordingly, over the long-term, USMS expects the current spending policy to allow its endowment to grow at an average rate of 2% annually. This is consistent with USMS's objective to maintain the purchasing power of the endowment assets.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are generated from donor contributions and are restricted as to use with the following programs as of December 31, 2010:

Swimming Saves Lives	\$	21,332
Coaches Education		30,000
2012 Summer Nationals		38,095
	\$	<u>89,427</u>

Note 9 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the beneficial interest in assets held by the Community Foundation and other contributions received for the endowment totaling \$212,433 as of December 31, 2010.

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 10 - Income Taxes

USMS's primary sources of unrelated business income are advertising in USMS's publications and sponsorships. Income tax expense for the year ending December 31, 2010 totaled \$3,030.

Note 11 - Retirement Plan

In August 2007, USMS set up a Simple IRA allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. USMS matches employee contributions up to 3%. USMS contributions for the year ending December 31, 2010 totaled \$15,256.

Note 12 - Concentration of Revenue Risk

For the year ending December 31, 2010, USMS received approximately 75% of its total revenue from membership dues. The principle sources of membership dues are from clubs and individuals across the U.S. USMS relies on the continued receipt of membership dues in order to provide on-going and continued services.

Note 13 - Commitments and Contingencies

Operating Leases

On June 1, 2009, USMS signed a 10 year operating lease agreement for office space in Sarasota, Florida expiring on May 31, 2019. Monthly base rent is \$1,066 subject to a 3% annual increase. Total rent expense for the year ended December 31, 2010 was approximately \$13,016.

Future minimum lease payments associated with the operating lease are as follows as of December 31, 2010:

2011	\$	13,406
2012		13,809
2013		14,223
2014		14,650
2015		15,090
Thereafter		54,991
Total	\$	<u>126,169</u>

Facility Rental

In October 2010, USMS entered into a non-cancelable agreement effective December 31, 2010 to rent the Qwest Center in Omaha, Nebraska to host 2012 Summer Nationals. The facility rental for the week of July 3, 2012 is \$87,500.

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 14 - Fair Value of Financial Assets

USMS adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principal that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about USMS's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quotes prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect USMS's assumptions based on the best information available in the circumstance.

Description	Assets and Liabilities Measured at Fair Value on a Recurring Basis at Reporting Date Using			Total
	Level 1	Level 2	Level 3	
Available for sale:				
Certificates of deposit	\$	\$ 576,000	\$	\$ 576,000
Beneficial interest in assets held by Community Foundation			217,526	217,526
	\$ -	\$ 576,000	\$ 217,526	\$ 793,526

UNITED STATES MASTERS SWIMMING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 14 - Fair Value of Financial Assets (Continued)

Description	Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis at Reporting Date Using			Total
	Level 1	Level 2	Level 3	
Promises to give	\$ -	\$ -	\$ 68,095	\$ 68,095

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ending December 31, 2010:

	Beneficial interest in assets held by Community Foundation
Beginning balance - January 1, 2010	\$ 192,015
Endowment investment return, net of fees	21,012
Contributions	6,164
Appropriation of endowment for expenditure	(1,665)
Ending balance - December 31, 2010	\$ 217,526

Note 15 - Related Party

Due to LMSCs

Members' dues for USMS are often collected by the LMSCs and vice-versa. USMS and the various LMSCs collect money on each others behalf from their common members and one check is either received from or written to USMS at the end of each month. The amount due to LMSCs net of amounts due from LMSCs as of December 31, 2010 consists of the following:

Due to LMSCs	\$ 163,412
Less: Due from LMSCs	(51,988)
Total Due to LMSCs, net	\$ 111,424

UNITED STATES MASTERS SWIMMING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Note 16 - Subsequent Event

USMS has evaluated all events subsequent to the balance sheet date of December 31, 2010 through the date these financial statements were available for issuance, August 10, 2011, and have determined except for the event described below, there are no other subsequent events that require disclosure.

Through the date these financial statements were available for issuance, August 10, 2011, USMS has transferred \$1,500,000 from cash and cash equivalents to an investment institution to be invested in equity and fixed income securities in accordance with their established investment policy.

SUPPLEMENTAL INFORMATION

Kerkering, Barberio & Co.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION

The Board of Directors
United States Masters Swimming, Inc.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of USMS's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sarasota, Florida
August 10, 2011



UNITED STATES SWIMMING, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2009)

	Program Services			Total Program Services
	Member Services	Club and Coach Services	Events	
Salaries	\$ 371,309	\$ 66,754	\$ 62,583	\$ 500,646
Payroll taxes	39,104	5,635	5,635	50,374
Benefits	36,598	6,034	6,034	48,666
Advertising/promotion	32,739	32,765	23,563	89,067
Convention	37,247	7,449	7,449	52,145
Credit card expense-Nationals				-
Depreciation	9,405	1,881	1,881	13,167
Donations	13,737	625		14,362
Dues and subscriptions	1,229	1,100	7,638	9,967
Grants		5,673	2,000	7,673
Information technology				-
Insurance	135,671	2,278	1,353	139,302
Occupancy	14,327	2,422	4,868	21,617
Office	7,120	1,753	888	9,761
Office relocation				-
Outside services	12,016	58,204	8,162	78,382
Postage	3,369	5,444	4,592	13,405
Printing	11,052	2,103	564	13,719
Professional services	8,305	1,827	1,661	11,793
Publication advertising commission	17,125			17,125
Publications	426,400		8,800	435,200
Recognition	1,109	230	4,466	5,805
Registration	99,157	16,142	8,251	123,550
Telephone	10,693	1,954	1,776	14,423
Travel	6,979	19,440	31,267	57,686
Total functional expenses	\$ <u>1,294,691</u>	\$ <u>239,713</u>	\$ <u>193,431</u>	\$ <u>1,727,835</u>
Percent of total	<u>63.17%</u>	<u>11.70%</u>	<u>9.44%</u>	<u>84.30%</u>

Supporting Services

Administrative Volunteers	Administrative Staff	General and Administrative Total	Fund Raising	Total 2010	(Reviewed) Total 2009
\$	\$	\$	\$	\$	\$
	125,178	125,178		625,824	395,504
	5,977	5,977		56,351	31,886
	11,681	11,681		60,347	44,984
1,266	406	1,672		90,739	53,235
22,350		22,350		74,495	61,880
		-		-	6,068
	5,643	5,643		18,810	10,459
	2,500	2,500		16,862	13,186
185	5,969	6,154		16,121	5,369
1,665		1,665		9,338	13,584
		-		-	55,679
5,000	3,028	8,028		147,330	125,337
	7,264	7,264		28,881	24,270
137	3,588	3,725	703	14,189	8,703
		-		-	34,653
2,756	8,766	11,522	25,775	115,679	91,461
272	1,926	2,198	1,379	16,982	16,798
115	2,910	3,025	74	16,818	28,400
4,817	11,333	16,150		27,943	40,049
		-		17,125	25,400
		-		435,200	381,648
		-		5,805	3,878
		-		123,550	102,081
1,501	3,654	5,155		19,578	14,969
40,259	12,639	52,898	1,120	111,704	59,935
\$ <u>80,323</u>	\$ <u>212,462</u>	\$ <u>292,785</u>	\$ <u>29,051</u>	\$ <u>2,049,671</u>	\$ <u>1,649,416</u>
<u>3.92%</u>	<u>10.37%</u>	<u>14.28%</u>	<u>1.42%</u>	<u>100.00%</u>	