

**USA DANCE, INC. – NATIONAL  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015  
WITH  
INDEPENDENT ACCOUNTANTS' AUDIT REPORT**

USA DANCE, INC. - NATIONAL  
Contents  
Years ended December 31, 2016 and 2015

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Certified Public Accountants  
and Business Advisors

## INDEPENDENT AUDITORS' REPORT

To the Governing Council of  
USA Dance, Inc. – National

We have audited the accompanying financial statements of USA Dance, Inc. - National (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

### **Auditor's Responsibility**

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 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 auditor's 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 USA Dance, Inc. - National as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 10 and 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of 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

*Isler Medford, LLC*

Isler Medford, LLC  
Medford, Oregon 97504  
August 7, 2017

**USA DANCE, INC. - NATIONAL**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

<b>ASSETS</b>	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 415,757	\$ 482,305
Accounts receivable	7,541	-
Prepaid expenses	25,171	47,083
Other current assets	35,436	11,688
<b>Total current assets</b>	483,905	541,076
<b>Property and equipment</b>		
Office equipment	4,579	4,579
Accumulated depreciation	(4,579)	(4,579)
<b>Total property and equipment</b>	-	-
<b>TOTAL ASSETS</b>	\$ 483,905	\$ 541,076
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 9,805	\$ 49,692
Credit cards payable	10,110	-
Payroll liabilities	1,760	-
Reserve for inactive chapters	6,827	14,362
Deferred dues income	209,100	220,835
<b>Total current liabilities</b>	237,602	284,889
<b>TOTAL LIABILITIES</b>	237,602	284,889
<b>NET ASSETS</b>		
Unrestricted	246,303	256,187
<b>TOTAL NET ASSETS</b>	246,303	256,187
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 483,905	\$ 541,076

See accompanying notes and independent accountants' audit report.

**USA DANCE, INC. - NATIONAL**  
**Statements of Activities**  
For the years ended December 31, 2016 and 2015

**UNRESTRICTED NET ASSETS**

<b>Unrestricted revenues and other support</b>	2016	2015
Contributions	\$ 22,467	\$ 14,212
Admissions	209,685	292,473
Dues	469,320	456,912
Advertising and subscriptions	20,554	29,186
Fundraising	2,660	25,664
Interest Income	88	12
Miscellaneous income	35,569	9,258
<b>Total unrestricted revenue and other support</b>	<u>760,343</u>	<u>827,717</u>
 <b>Expenses:</b>		
Program services		
American Dancer	97,463	105,759
Chapter Support	59,643	77,808
Social Events	14,020	20,486
Youth College Network	34	99,088
National Championship	212,877	197,599
Athlete Travel	89,319	94,204
Academy/ Education	16,318	5,271
Membership	61,918	53,700
<b>Total Program Services</b>	<u>551,592</u>	<u>653,915</u>
Supporting services		
General and administrative	218,635	199,958
 <b>Total expenses</b>	 <u>770,227</u>	 <u>853,873</u>
 <b>Decrease in net assets</b>	 (9,884)	 (26,156)
 <b>Net assets at beginning of year</b>	 <u>256,187</u>	 <u>282,343</u>
 <b>Net assets at end of year</b>	 <u>\$ 246,303</u>	 <u>\$ 256,187</u>

See accompanying notes and independent accountants' audit report.

**USA DANCE, INC. - NATIONAL**  
**Statements of Cash Flows**  
For the years ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 22,467	\$ 14,212
Cash received from admissions	209,685	292,473
Cash received from dues	457,585	480,040
Cash received from advertising subscriptions	20,554	29,186
Cash received from fundraising activities	2,660	25,664
Cash received from interest income	88	12
Cash received from miscellaneous income	28,034	9,258
Cash disbursed for programs	(588,986)	(620,686)
Cash disbursed for general supporting services	(218,635)	(199,958)
	<b>(66,548)</b>	<b>30,201</b>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>		
	(66,548)	30,201
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	(66,548)	30,201
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	482,305	452,104
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 415,757	\$ 482,305
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (9,884)	\$ (26,156)
Adjustments to reconcile increase in net assets use by operating activities:		
(Increase) decrease in:		
Accounts receivable	(7,541)	-
Prepaid expenses and advances	21,912	(6,847)
Other current assets	(23,748)	(11,688)
Increase (decrease) in:		
Reserve for inactive chapters	(7,535)	2,072
Accounts payable and accrued expenses	(28,017)	49,692
Deferred income	(11,735)	23,128
	<b>(66,548)</b>	<b>30,201</b>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (66,548)</b>	<b>\$ 30,201</b>

See accompanying notes and independent accountants' audit report.

**USA DANCE, INC. - NATIONAL**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 1 – Nature of activities and significant accounting policies**

Nature of Activities

USA Dance, Inc.- National is a not-for-profit corporation, exempt from federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code. The purpose of USA Dance, Inc. - National is to foster and promote ballroom dancing as a healthful, enjoyable, social activity. The Organization serves as the national governing body for Dance Sport in the United States. USA Dance, Inc. - National works to encourage the participation of the general public in ballroom dancing, sponsors national competitions and works with professional and international dance organizations.

USA Dance, Inc. – National is organized by regions and operates through local chapters which are designated as affiliates of the national organization. The governing council of USA Dance, Inc. - National sets national membership dues and admission charges for national dance events it sponsors. The Organization issues guidelines for chapter operations, chapter annual financial reporting and dance competition sanctions. The chapters are free to determine local program activities. Chapter community program activities are not included in these financial statements.

Basis of Accounting and Presentation

The financial statements of USA Dance, Inc. – National have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities, in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and highly liquid investments with maturity dates of three months or less. For the purposes of the Statement of Cash Flows, USA Dance, Inc. - National considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value.

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 those estimates.

Property and Equipment

It is USA Dance, Inc. - National's policy to capitalize property and equipment over \$2,500. Lesser amounts are expensed. All expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets.



**USA DANCE, INC. - NATIONAL**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 1 – Nature of activities and significant accounting policies (continued)**

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is 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 released from restrictions.

**Contributed Services**

Contributed services are recognized as contributions in accordance with generally accepted accounting principles in the United States, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by USA Dance, Inc. – National. Contributed services are reflected as contributions at their estimated value at the date of receipt and are recorded as in-kind expenses for program services. A substantial number of volunteers have made contributions of their time to assist with the Organization's programs throughout the year that are not recognized as contributions on the financial statements, since the criteria for recognition was not met.

**Functional Expenses**

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities and the Schedule of Functional Expenses. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical methods.

**Income Tax Status**

USA Dance, Inc. - National qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. There was no unrelated business income for 2016 or 2015. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The federal income tax returns of USA Dance, Inc. - National are subject to examination by the IRS for the past three open years. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Advertising Costs**

The Organization expenses advertising costs as they are incurred. Total advertising expense was \$0 and \$1,399 for the years ended December 31, 2016 and 2015 respectively.

**Note 2 – Deposits in excess of FDIC limits**

During the course of the year, the bank accounts of USA Dance, Inc. - National were in excess of FDIC limits. The maximum loss that would have resulted from that risk totaled \$16,378 at the end of 2016 for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal insurance. Management believes it is not exposed to any significant credit risk on its cash balances.

**Note 3 – Accounts Receivable**

Accounts receivable are stated at unpaid balances, which is the amount management expects to collect from outstanding balances at year-end. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of December 31, 2016, the accounts receivable balance is deemed fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

**USA DANCE, INC. - NATIONAL**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 4 – Property and equipment**

Depreciation of property and equipment is provided on the straight-line basis over the assets' estimated useful life as follows:

Office equipment	5 to 7 years
Furniture and fixtures	7 years
Computers	5 years

Property and equipment consisted of the following at December 31, 2016 and 2015:

Office equipment	\$ 4,579
Accumulated depreciation	<u>(4,579)</u>
Net office equipment	<u>\$ -</u>

Depreciation expense was \$0 for the years ended December 31, 2016 and 2015.

**Note 5 – Commitments and contingencies**

USA Dance, Inc. - National is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance. Workers compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the Organization has not been required to pay any settlements in excess of insurance coverage during the past year.

In October 2013, the Organization entered into a three-year contract with AFPrince to publish the American Dancer Magazine bi-monthly at a base cost of \$8,000 per issue for 6 issues per year, plus \$1,000 to cover expenses to attend the Chapter Conference, National Championship and the Governing Council meeting. In addition, AFPrince will be paid 15% of all advertising revenue related to the magazine, excluding the Ernst Borel sponsor advertisements. Printing and postage will be paid by the Organization directly. The contract was amended in 2016 based on management's decision to publish 5 issues. Management agreed to pay AFPrince an additional \$1,500 each for 2 of those magazines, based on additional content in those issues.

During 2015 and previous years, USA Dance, Inc. – National entered into agreements with event facilities for group room rates and function space for Organization events. The following agreements call for liquidated damages if the events are cancelled:

<u>Location of Event</u>	<u>Event Dates</u>	<u>Cancellation Fees Begin</u>
Renaissance Harborplace Hotel, Baltimore, MD	March 30 – April 4, 2016	August 19, 2013
Renaissance Harborplace Hotel, Baltimore, MD	March 29 – April 3, 2017	August 20, 2014
Renaissance Harborplace Hotel, Baltimore, MD	April 4 – April 9, 2018	August 20, 2015

USA Dance, Inc. – National paid \$12,032 for cancellation fees in 2016 related to an event that was cancelled.

**Note 6 – Concentrations**

USA Dance, Inc. – National maintains its cash balances at several financial institutions located in the United States. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. See Note 2 for additional information.

**USA DANCE, INC. - NATIONAL**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 7 - Prepaid expenses**

Prepaid expenses are summarized as follows:

	<u>2016</u>	<u>2015</u>
Insurance	\$ 17,305	\$ 22,151
American Dance - Editor Fees	4,750	12,000
Organization Fees (Nationals)	-	6,333
Your Membership Dues	3,116	6,599
Total Prepaid expenses	<u>\$ 25,171</u>	<u>\$ 47,083</u>

**Note 8 – Deferred Revenue**

USA Dance, Inc. – National’s membership dues are collected for DanceSport (competitors) and Social (all other members). Before January 1, 2013, all memberships expired one year from the date paid and 50% of current year collections were considered deferred revenue for the next fiscal year. Beginning in 2013, all DanceSport memberships ended at December 31<sup>st</sup>. Therefore, only DanceSport memberships that are prepaid are recorded as deferred revenue. The portion of Social membership collections that are considered deferred at the end of the fiscal year depends on which month the dues were received.

Deferred revenue as of December 31 consisted of the following:

	<u>2016</u>	<u>2015</u>
Social	\$ 154,232	\$ 154,244
DanceSport	54,868	66,591
Total deferred revenue	<u>\$ 209,100</u>	<u>\$ 220,835</u>

**Note 9 – Subsequent Events**

Management has evaluated subsequent events through August 7, 2017, the date which the financial statements were available for issue. There were no subsequent events that required disclosure as of that date.

**Note 10 – Potential Misuse of Funds**

According to the Governing Council of USA Dance, Inc. – National, a prior treasurer made questionable use of some of the entity’s funds. For 2015 the identified amounts are shown as miscellaneous expenses. The entity is working with its insurance carrier to seek reimbursement of these amounts. Additional amounts were identified and disclosed in 2014. Every transaction has been reviewed by the previous bookkeeper, who has held the volunteer position for nine years, and reclassifications of expenses were made with discussions with the Governing Council.

**SUPPLEMENTARY INFORMATION**

**USA DANCE, INC. - NATIONAL**  
**Schedule of Functional Expenses**  
**For the year ended December 31, 2016**

	American Dancer	Chapter Support	Social Events	Youth College Network	National Championship	Athlete Travel	Academy/Education	Membership	Total Program	General and Administrative	Total
<b>Expenses:</b>											
Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,210	\$ 11,210	\$ 62,327	\$ 73,537
Payroll taxes	-	-	-	-	-	-	-	861	861	4,785	5,646
Supplies	-	244	22	-	2,665	182	-	1,724	4,837	1,955	6,792
Telephone	-	-	-	-	72	-	-	-	72	3,720	3,792
Postage and shipping	9,687	-	167	34	62	403	166	322	10,841	3,040	13,881
Printing and publications	42,318	-	127	-	10,430	-	49	-	52,924	647	53,571
Travel and lodging	-	-	923	-	32,726	1,638	-	6,111	41,398	21,746	63,144
Scholarships and grants	-	-	-	-	9,565	81,280	-	-	90,845	999	91,844
Equipment rental and maintenance	-	-	-	-	54,324	-	-	199	54,523	-	54,523
Conferences and meetings	-	-	-	-	-	-	-	-	-	3,326	3,326
Trophies, medals, and awards	-	-	192	-	3,728	-	-	-	3,920	-	3,920
Promotion and publicity	1,355	55,537	407	-	5,184	3,141	-	273	65,897	-	65,897
Facilities, food, and music	-	-	12,032	-	18,696	-	1,086	-	31,814	7,468	39,282
Officials	-	-	-	-	66,195	-	792	-	66,987	-	66,987
Temporary help	888	1,331	150	-	50	263	125	882	3,689	31,857	35,546
Bank charges	-	517	-	-	2,847	-	-	15,536	18,900	3,749	22,649
Insurance	-	-	-	-	-	-	-	-	-	37,245	37,245
Payroll Processing	-	-	-	-	-	-	-	-	-	1,826	1,826
Professional fees	43,000	-	-	-	6,333	-	9,331	7,782	66,446	30,907	97,353
Registration fees and permits	215	1,244	-	-	-	22	4,769	16,185	22,435	2,550	24,985
Miscellaneous	-	770	-	-	-	2,390	-	833	3,993	488	4,481
<b>Total Expenses</b>	<b>\$ 97,463</b>	<b>\$ 59,643</b>	<b>\$ 14,020</b>	<b>\$ 34</b>	<b>\$ 212,877</b>	<b>\$ 89,319</b>	<b>\$ 16,318</b>	<b>\$ 61,918</b>	<b>\$ 551,592</b>	<b>\$ 218,635</b>	<b>\$ 770,227</b>

See accompanying notes and independent accountants' audit report.

**USA DANCE, INC. - NATIONAL**  
**Schedule of Functional Expenses**  
**For the year ended December 31, 2015**

	American Dancer	Chapter Support	Social Events	Youth College Network	National Champion- ship	Athlete Travel	Academy/ Education	Member- ship	Total Program	General and Admini- strative	Total
<b>Expenses:</b>											
Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,431	\$ 13,431	\$ 43,060	\$ 56,491
Payroll taxes	-	-	-	-	-	-	-	1,359	1,359	3,130	4,489
Supplies	-	503	159	-	1,711	-	-	700	3,073	5,414	8,487
Telephone	-	-	-	-	26	-	-	-	26	5,158	5,184
Postage and shipping	8,307	96	754	-	53	372	-	1,059	10,641	3,384	14,025
Printing and publications	46,022	63	384	51	6,220	404	24	-	53,168	-	53,168
Travel and lodging	137	1,311	10,773	24,646	24,433	2,041	-	2,313	65,654	18,653	84,307
Scholarships and grants	-	-	-	-	11,050	78,774	-	-	89,824	-	89,824
Equipment rental and maintenance	-	120	50	20,929	36,808	-	-	-	57,907	3,387	61,294
Conferences and meetings	-	-	238	-	-	-	-	-	238	103	341
Trophies, medals, and awards	-	-	-	375	2,098	-	-	273	2,746	-	2,746
Promotion and publicity	2,693	56,711	497	-	1,622	5,853	-	-	67,376	159	67,535
Facilities, food, and music	-	-	-	10,444	26,915	-	-	-	37,359	4,075	41,434
Officials	-	-	7,631	41,395	64,018	6,760	5,247	-	125,051	4,102	129,153
Chapter Assistance	-	15,245	-	-	-	-	-	-	15,245	-	15,245
Temporary help	375	1,188	-	-	4,365	-	-	2,500	8,428	23,090	31,518
Bank charges	-	1,725	-	1,248	4,732	-	-	15,413	23,118	2,345	25,463
Insurance	-	-	-	-	-	-	-	-	-	38,939	38,939
Payroll Processing	-	-	-	-	-	-	-	-	-	1,685	1,685
Professional fees	48,000	-	-	-	13,500	-	-	7,484	68,984	13,340	82,324
Registration fees and permits	225	846	-	-	48	-	-	9,068	10,187	19,663	29,850
Miscellaneous	-	-	-	-	-	-	-	100	100	10,271	10,371
<b>Total Expenses</b>	<b>\$ 105,759</b>	<b>\$ 77,808</b>	<b>\$ 20,486</b>	<b>\$ 99,088</b>	<b>\$ 197,599</b>	<b>\$ 94,204</b>	<b>\$ 5,271</b>	<b>\$ 53,700</b>	<b>\$ 653,915</b>	<b>\$ 199,958</b>	<b>\$ 853,873</b>

See accompanying notes and independent accountants' audit report.