



USA DANCE, INC.®

Financial Report to Members

March 28, 2015



Introduction

USA Dance filed for incorporation as a not-for-profit organization in 1984, stating that it was being “organized and operated exclusively for educational and charitable purposes within the meaning of Section 501(c)(3) of the United States Internal Revenue Code.” In furtherance of those purposes, USA Dance stated first that “it shall promote ballroom dancing as an amateur sport locally, nationally, and internationally, and to that end work for its acknowledgment as an Olympic Sport[.]” USA Dance also sought to “educate the public on how ballroom dancing enhances the development of mental and physical health....” Furthermore, USA Dance aimed to “educate the public, particularly youth, on how organized and supervised dance activities improve and develop capabilities....”

This Financial Report has been prepared by the National President and National Treasurer of USA Dance to provide our members with information about USA Dance’s current financial condition.

In summary, the overall assets of USA Dance, including its chapters, stands at \$1.8 million as of December 31, 2014, with equity of \$1.5 million. At the end of 2014, the Governing Council approved a national operations budget for 2015 that projects revenues of \$875,400 against expenses of \$872,715, leading to a projected net profit of \$2,685. Included in the revenue projection is an increase in social member dues of \$10 per member.

As explained more fully below, USA Dance sustained a loss of \$231,888 in 2014. To avoid further losses of this magnitude at the national level, the 2015 budget has made significant cuts in travel and lodging expenses. Moreover, as described in greater detail below, USA Dance has placed high priority on increasing memberships and on additional means of revenue generation.

In 2014, USA Dance leadership took a long hard look at financial operations at the national level and recognizes the need to make changes. Some of those changes have already begun and will continue to roll out in 2015. We seek the patience and support of our members as we strengthen our financial operations, in keeping with our mission and the purposes for which USA Dance was founded.



Overall Financial Condition

USA Dance, as a 501(c)(3) not-for-profit organization, files a Form 990 with the IRS. Our most recent Form 990 is for calendar year 2013.

The financial results from the chapters are submitted in the first quarter of the year and are compiled by June 30. The USA Dance tax return is completed in the summer and fall and includes both the national accounts as well as all chapter results. The 2013 tax return is available on the web at www.guidestar.org and the 2014 tax return will be available in the fall of 2015.

In 2013, we ended the year with total assets of \$2,093,131 (of which \$ 2million was in cash) and \$254,947 in total liabilities (mostly consisting of deferred revenue), resulting in net assets of \$1,838,284.

The Balance Sheet of USA Dance at the national level is attached to this report. At year-end 2014, we have assets of \$469,000 (of which \$453,000 is cash) and liabilities of \$331,000. Equity is \$138,000.

If the chapter accounts were included, assets would be approximately \$1.8 million and equity \$1.5 million. The chapters have minimal liabilities.

National Level Financial Operations

Budget 2015

At the national level, USA Dance, through its Governing Council and Executive Committee, are responsible for the following major events:

- National DanceSport Championships
- National Collegiate DanceSport Championships
- National Chapter Conference
- National Dance Cruise

At the national level, USA Dance provides a variety of services for the chapters and members, including (without limitation):

- Secure liability coverage for all events, including chapter dances
- Pay for music licensing - BMI, ASCAP (negotiations ongoing)
- File for State registration (in progress)
- Apply for sales tax exemption (in progress)



- File taxes for entire organization
- Provide assistance with chapter banking services
- Provide chapter support for accounting matters
- Process memberships
- Pay administrative staff in Central Office in Florida (Mary Schaufert)
- Handle grievances from members
- Publish, print and distribute American Dancer magazine
- Pay for national and chapter websites, including ongoing maintenance and related support services
- Fund stipends for athletes that are selected at the National DanceSport Championships to represent the United States at world championships across the globe

In 2015, costs for producing major events and providing services were budgeted at \$872,715.00, using expenditures from 2013 and 2014 as a guideline. The major differences between the 2015 budget versus prior budgets is that the National Chapter Conference was cancelled for 2015, so no monies were allocated for that event, and significant cuts were made in travel and lodging expenses.

The primary source of revenue for USA Dance is membership dues. For 2015, we estimated revenue from dues at \$450,000. Other sources of revenue include monies received from the National Championships, sanctioning fees, ad sales for American Dancer and donations.

The 2015 budget includes a dues increase for social members of \$10 per member. Social members' dues have not been raised since 2003. This dues increase, to be implemented after the first quarter of the year, is anticipated to bring in \$63,000. (DanceSport dues were last raised more recently, in 2012.)

The dues increase, together with the other revenue numbers, are projected to bring in \$875,400. The budget projects a net profit of \$2,685.00 for 2015.

Budget 2014

In 2014, total income for USA Dance was \$744,197 against total expenses of \$976,085 leading to a net loss of \$231,888. (See attached Financial Statement.) We experienced significant losses in major events: approximately \$50,000 for the National Chapter Conference and approximately \$24,000 for the National DanceSport Championships. Publication of American Dancer magazine, after adding the cost of printing and mailing, ended up costing \$123,000, and revenue from ad sales contributed little to offsetting those costs. Furthermore, Borel did not return as a sponsor in 2014 (our contacts there had moved on to work at other companies), leading to another significant drop in revenue.



By the time the Governing Council met for the first time in person in April 2014 to discuss the 2014 budget, expenses for two of the major events in 2014, the National Chapter Conference and the National DanceSport Championships, had already been incurred.

USA Dance as an organization can be divided into two segments: DanceSport and Chapters. An analysis of 2014 operations according to DanceSport and Chapters reveals that \$157,000 of the overall loss can be attributed to DanceSport and \$75,000 can be attributed to Chapters. These figures were arrived at first by allocating general and administrative expenses of \$248,000 according to the percentage of membership revenues accounted for by Chapters (about 70%) and DanceSport (about 30%). Based on this allocation, Chapters showed a loss of \$13,000 and DanceSport showed a loss of \$95,000. We then allocated the expenses for American Dancer half and half between Chapters and DanceSport. This was done because American Dancer, at a total cost of \$123,000 in 2014, represented a significant portion of 2014 expenses. Factoring in this cost resulted in a loss attributable to DanceSport in the amount of \$157,000 and Chapters in the amount of \$75,000.

Strengthening Financial Operations at National Level

During the last quarter of 2014, the Governing Council entered the budgeting process for 2015 recognizing that serious cuts in spending needed to be made, based on the losses sustained in 2014. Therefore, the 2015 budget cut back substantially on reimbursing for travel and lodging. Also, the cancellation of the Chapter Conference represented a significant savings on the expense side. Expenditures for the USA Dance National DanceSport Championships have been closely monitored.

USA Dance is a membership organization and receives most of its operating revenue from membership dues. In 2015, dues represent more than half of projected revenue. Membership revenues have declined every year since 2008 when it was \$580,000. In 2014, membership revenues were only \$390,00, representing a nearly \$200,000 drop in membership revenues from 2008 levels.

In 2014, a Membership Task Force (MTF) was formed to address declining memberships. The MTF launched a new incentive program effective October 1, 2014 to begin to increase memberships. During the last quarter of 2014, over 1,000 new members were added. This program continues until June 30, 2015. Additional incentives are being considered by the MTF.

At the same time, revenue generation is taking high priority in 2015. In addition to recognizing the need to raise social member dues, we are:



- Launching a World Team Program to encourage our chapters to help raise funds to cover athletes' expenses in representing the United States in world championships.
- Exploring USA Dance partnerships with existing charities to fundraise collaboratively, to the benefit of the charity, participating USA Dance chapters and USA Dance at the national level.
- Seeking sponsorship opportunities through industry contacts and sports marketing consultants.
- Exploring ways in which we can take full advantage of the marketing capabilities available through our national and chapter websites on Access Dance.

Our strategic planning process has identified the following strategic objective: Create a strong financial base, generating the financial resources to accomplish and expand initiatives. We plan to develop stronger financial controls and procedures at the national level to prevent losses going forward and to find ways to bring more revenue into USA Dance.

Also identified as a strategic objective is the need to re-engineer our operating model by the end of 2015. Part of that process includes revisiting our chapter structure. The Treasurer's office estimates that if a chapter were to pay for all its own resources to run itself, that cost would amount to about \$6,000 per year. (That does not include the approximately \$3,500 a chapter would incur to incorporate itself as a 501(c)(3) organization.) By being part of USA Dance, the chapter's cost of operations drops to \$1,700 per year (calculated by dividing administrative expenses of \$250,000 by 150 chapters).

For a chapter to cover its own \$1,700 cost to operate, it needs to have at least 70 members (based on current social member dues). Only one-third of the chapters in USA Dance today have more than 75 members. Those chapters pay for themselves but the larger chapters are in effect subsidizing two-thirds of our chapters.

These figures do not take into account costs to cover publishing American Dancer. Covering these costs would require another \$820 per chapter (calculated by dividing \$123,000 by 150).



Conclusion

USA Dance overall, at the national and chapter levels, shows assets of \$1.8 million as of year-end 2014. At the national level, USA Dance experienced a substantial loss in 2014. The 2015 budget projects a net profit of \$2,685.00 based on an increase in social members' dues and significant cuts in costs, mainly in expenditures for travel and lodging. Efforts are already underway to increase memberships and to pursue various avenues of revenue generation. The strategic plan includes the goals of creating a strong financial base and re-engineering our operating model, and USA Dance leadership is committed to achieving those objectives so that we can strengthen financial operations at the national level. We intend to keep the membership apprised of USA Dance's progress in this important part of our operations.

If you have any questions about anything contained in this report, please feel free to contact us at the email addresses below.

Respectfully submitted,

Yang Chen
National President
president@usadance.org

Michael Brocks
National Treasurer
treasurer@usadance.org

USA Dance Inc.

**Balance Sheet - National Accounts
As of December 31, 2014**

	December 31, 2014
PNC Payroll	21,320
PNC Mem Merchant Account	213,436
PNC Comp Merchant Account	58,451
PNC Operating Account	113,284
Wells Fargo Events	21,281
Citizens	125
Wells Fargo	24,676
Total Cash	452,573
Prepaid Expenses (Cruise)	12,500
Total Current Assets	465,073
Competition Hardware	1,046
Office Equipment	7,143
Accumulated Depreciation	(4,440)
Total Fixed Assets	3,749
TOTAL ASSETS	468,822
LIABILITIES & EQUITY	
Accounts Payable	92,820
Reserve for Inactive Chapters	8,101
Deferred Dues Payable	230,000
Total Current Liabilities	330,921
Total Liabilities	330,921
Equity	
Entity Capital - Unrestricted	275,160
Entity Capital - Restricted	950
Retained Earnings	93,681
Net Income (loss) 2014	(231,889)
Total Equity	137,902
TOTAL LIABILITIES & EQUITY	468,822

USA Dance, Inc.

**Statement of Profit & Loss Twelve Months Ended
12-31-14**

National Accounts

Consolidated

Income	
Membership	392,033
Admissions	299,609
Advertising	18,790
Contributions	18,431
Vendor	6,850
Sanction Fee	5,800
Fund Raising	1,340
Program	1,075
WDSF Id Cards	269
Total Income	<u>744,197</u>
Expense	
Chapter Operations	97,307
Social	52,994
DanceSport	438,073
American Dancer	139,712
Membership	46,065
General & Administrative	201,934
Total Expense	<u>976,085</u>
Net Profit or Loss	<u>(231,888)</u>