

**USA DANCE, INC. – NATIONAL
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
WITH
INDEPENDENT ACCOUNTANTS' AUDIT REPORT**

USA DANCE, INC. - NATIONAL

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Years ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 15, 2018

USA DANCE, INC. - NATIONAL
Statements of Financial Position
December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 428,918	\$ 415,757
Accounts receivable	3,412	7,541
Prepaid expenses	23,942	25,171
Other current assets	29,918	35,436
Total current assets	<u>486,190</u>	<u>483,905</u>
Property and equipment		
Office equipment	4,579	4,579
Accumulated depreciation	<u>(4,579)</u>	<u>(4,579)</u>
Net property and equipment	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 486,190</u>	<u>\$ 483,905</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 16,417	\$ 9,805
Credit cards payable	-	10,110
Payroll liabilities	1,649	1,760
Reserve for inactive chapters	10,989	6,827
Deferred dues income	<u>211,740</u>	<u>209,100</u>
Total current liabilities	<u>240,795</u>	<u>237,602</u>
TOTAL LIABILITIES	<u>240,795</u>	<u>237,602</u>
NET ASSETS		
Unrestricted	<u>245,395</u>	<u>246,303</u>
TOTAL NET ASSETS	<u>245,395</u>	<u>246,303</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 486,190</u>	<u>\$ 483,905</u>

See accompanying notes and independent accountants' audit report.

USA DANCE, INC. - NATIONAL
Statements of Activities
For the years ended December 31, 2017 and 2016

UNRESTRICTED NET ASSETS

Unrestricted revenues and other support	2017	2016
Dues	\$ 430,343	\$ 469,320
Admissions	183,292	209,685
Miscellaneous income	49,101	35,569
Contributions	19,985	22,467
Advertising and subscriptions	11,543	20,554
Fundraising	4,111	2,660
Interest Income	256	88
Total unrestricted revenue and other support	698,631	760,343
 Expenses:		
Program services		
American Dancer	77,731	97,463
Chapter Support	56,415	59,643
Social Events	468	14,020
Youth College Network	6,041	34
National Championship	180,424	212,877
Athlete Travel	62,931	89,319
Academy/ Education	16,789	16,318
Membership	104,061	61,918
Total Program Services	504,860	551,592
Supporting services		
General and administrative	194,679	218,635
 Total expenses	 699,539	 770,227
 Decrease in net assets	 (908)	 (9,884)
 Net assets at beginning of year	 246,303	 256,187
 Net assets at end of year	 \$ 245,395	 \$ 246,303

See accompanying notes and independent accountants' audit report.

USA DANCE, INC. - NATIONAL
Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from dues	\$ 432,984	\$ 457,585
Cash received from admissions	183,292	209,685
Cash received from miscellaneous income	53,263	28,034
Cash received from contributions	19,985	22,467
Cash received from advertising subscriptions	11,543	20,554
Cash received from fundraising activities	4,111	2,660
Cash received from interest income	256	88
Cash disbursed for programs	(497,594)	(588,986)
Cash disbursed for general supporting services	(194,679)	(218,635)
	<u>13,161</u>	<u>(66,548)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	13,161	(66,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	13,161	(66,548)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>415,757</u>	<u>482,305</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 428,918</u>	<u>\$ 415,757</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Decrease in net assets	\$ (908)	\$ (9,884)
Adjustments to reconcile increase in net assets use by operating activities:		
(Increase) decrease in:		
Accounts receivable	4,129	(7,541)
Prepaid expenses and advances	1,229	21,912
Other current assets	5,518	(23,748)
Increase (decrease) in:		
Reserve for inactive chapters	4,162	(7,535)
Accounts payable and accrued expenses	(3,610)	(28,017)
Deferred income	2,641	(11,735)
	<u>13,161</u>	<u>(66,548)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>\$ 13,161</u>	<u>\$ (66,548)</u>

See accompanying notes and independent accountants' audit report.

USA DANCE, INC. - NATIONAL
Notes to Financial Statements
December 31, 2017 and 2016

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 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 dancing, sponsors national competitions, and works with amateur and professional as well as national and international dance organizations.

USA Dance, Inc. – National is organized by districts 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, 2017 and 2016

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 2017 or 2016. 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, 2017 and 2016 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 \$107,928 at the end of 2017 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, 2017, 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, 2017 and 2016

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, 2017 and 2016:

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

Depreciation expense was \$0 for the years ended December 31, 2017 and 2016.

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

* Events to date not 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, 2017 and 2016

Note 7 - Prepaid expenses

Prepaid expenses are summarized as follows:

	<u>2017</u>	<u>2016</u>
Insurance	\$ 19,192	\$ 17,305
American Dance - Editor Fees	4,750	4,750
Your Membership Dues	-	3,116
Total Prepaid expenses	<u>\$ 23,942</u>	<u>\$ 25,171</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 31st. 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>2017</u>	<u>2016</u>
Social	\$ 146,608	\$ 154,232
DanceSport	<u>65,132</u>	<u>54,868</u>
Total deferred revenue	<u>\$ 211,740</u>	<u>\$ 209,100</u>

Note 9 – Subsequent Events

Management has evaluated subsequent events through August 15, 2018, 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 Organization’s funds during his term as treasurer in 2014 and 2015. A claim in the amount of \$163,836 was filed with the Organization’s insurance company in July 2016. In February 2017, the Governing Council received a settlement check in the amount of \$17,717. The Governing Council of 2017 accepted the settlement from the insurance carrier, Travelers Insurance. The Governing Council determined there was no further action required, and there were no further collections during the year.

SUPPLEMENTARY INFORMATION

USA DANCE, INC. - NATIONAL
Schedule of Functional Expenses
For the year ended December 31, 2017

	American Dancer	Chapter Support	Social Events	Youth College Network	National Championship	Athlete Travel	Academy/ Education	Membership	Total Program	General and Administrative	Total
Expenses:											
Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,312	\$ 11,312	\$ 86,369	\$ 97,681
Payroll taxes	-	-	-	-	-	-	-	575	575	7,160	7,735
Supplies	-	-	101	-	2,574	506	-	175	3,356	1,544	4,900
Telephone	-	-	-	-	-	-	-	-	-	3,466	3,466
Postage and shipping	10,613	-	188	41	-	406	-	476	11,724	1,953	13,677
Printing and publications	26,578	-	-	-	10,141	-	-	-	36,719	44	36,763
Travel and lodging	245	-	-	-	21,560	4,126	-	4,677	30,608	23,773	54,381
Scholarships and grants	-	-	-	-	13,115	48,900	-	-	62,015	-	62,015
Equipment rental and maintenance	-	-	-	-	26,623	-	-	204	26,827	2,887	29,714
Conferences and meetings	-	-	-	-	3,112	-	1,123	-	4,235	-	4,235
Trophies, medals, and awards	-	-	77	-	5,618	-	-	-	5,695	-	5,695
Promotion and publicity	595	52,800	39	-	1,101	2,673	-	23,436	80,644	645	81,289
Facilities, food, and music	-	-	-	6,000	18,277	-	792	-	25,069	9,275	34,344
Officials	-	600	-	-	74,112	5,554	4,070	-	84,336	-	84,336
Chapter assistance	-	-	-	-	-	-	-	12,040	12,040	-	12,040
Temporary help	700	1,918	63	-	145	388	244	738	4,196	4,791	8,987
Bank charges	-	-	-	-	4,046	378	357	17,619	22,400	2,363	24,763
Insurance	-	-	-	-	-	-	-	-	-	34,709	34,709
Payroll processing	-	-	-	-	-	-	-	-	-	1,308	1,308
Professional fees	39,000	-	-	-	-	-	10,048	13,689	62,737	12,740	75,477
Registration fees and permits	-	1,097	-	-	-	-	155	18,220	19,472	982	20,454
Miscellaneous	-	-	-	-	-	-	-	900	900	670	1,570
Total Expenses	\$ 77,731	\$ 56,415	\$ 468	\$ 6,041	\$ 180,424	\$ 62,931	\$ 16,789	\$ 104,061	\$ 504,860	\$ 194,679	\$ 699,539

See accompanying notes and independent accountants' audit report.

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
Expenses:											
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
Total Expenses	\$ 97,463	\$ 59,643	\$ 14,020	\$ 34	\$ 212,877	\$ 89,319	\$ 16,318	\$ 61,918	\$ 551,592	\$ 218,635	\$ 770,227