

USA DANCE, INC. - NATIONAL
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

USA DANCE, INC. - NATIONAL
For the Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of USA Dance, Inc. – National (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Krusoe Reynolds & Associates, P.A.

Krusoe Reynolds & Associates, PA
Tampa, Florida
May 31, 2016

NOTES TO FINANCIAL STATEMENTS

USA DANCE, INC. - NATIONAL
Statement of Financial Position
December 31, 2014

ASSETS

Current assets

| | |
|---------------------------|----------------|
| Cash and cash equivalents | 452,104 |
| Prepaid expenses | 40,236 |
| | <u>492,340</u> |

| | |
|----------------------|----------------|
| Total current assets | <u>492,340</u> |
|----------------------|----------------|

Property and equipment

| | |
|-------------------------------|----------|
| Office equipment | 4,579 |
| Less accumulated depreciation | (4,579) |
| | <u>0</u> |

| | |
|----------------------------|----------|
| Net property and equipment | <u>0</u> |
|----------------------------|----------|

| | |
|---------------------|-----------------------|
| TOTAL ASSETS | <u><u>492,340</u></u> |
|---------------------|-----------------------|

LIABILITIES AND NET ASSETS

Current liabilities

| | |
|-------------------------------|----------------|
| Reserve for inactive chapters | 12,290 |
| Deferred dues income | 197,707 |
| | <u>209,997</u> |

| | |
|---------------------------|----------------|
| Total current liabilities | <u>209,997</u> |
|---------------------------|----------------|

| | |
|--------------------------|----------------|
| TOTAL LIABILITIES | <u>209,997</u> |
|--------------------------|----------------|

NET ASSETS

| | |
|------------------------|----------------|
| Unrestricted | 281,393 |
| Temporarily restricted | 950 |
| | <u>282,343</u> |

| | |
|-------------------------|----------------|
| TOTAL NET ASSETS | <u>282,343</u> |
|-------------------------|----------------|

| | |
|---|-----------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>492,340</u></u> |
|---|-----------------------|

See notes to financial statements.

USA DANCE, INC. - NATIONAL
Statement of Activities
For the Year Ended December 31, 2014

| | |
|--|--------------------------|
| UNRESTRICTED NET ASSETS | |
| Unrestricted revenues | |
| Contributions | \$ 19,501 |
| Admissions | 245,129 |
| Dues | 510,334 |
| Advertising and subscriptions | 32,475 |
| Fundraising | 29,771 |
| Interest income | 15 |
| Miscellaneous income | <u>14,713</u> |
| Total unrestricted revenue and other support | <u>851,938</u> |
| Expenses | |
| Program services | |
| American Dancer | 115,900 |
| Chapter Support | 36,152 |
| Social Events | 62,070 |
| Youth College Network | 18,463 |
| National Championship | 227,572 |
| DanceSport | 22,661 |
| Membership | <u>40,552</u> |
| Total program services | 523,370 |
| Supporting services | |
| General and administrative | <u>416,016</u> |
| Total expenses | <u>939,386</u> |
| INCREASE (DECREASE) IN NET ASSETS | (87,448) |
| NET ASSETS AT BEGINNING OF YEAR | <u>369,791</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 282,343</u></u> |

See notes to financial statements.

USA DANCE, INC. - NATIONAL
Statement of Cash Flows
For the Year Ended December 31, 2014

| | |
|--|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from contributions | \$19,501 |
| Cash received from admissions | 245,129 |
| Cash received from dues | 510,334 |
| Cash received from advertising subscriptions | 32,475 |
| Cash received from interest income | 15 |
| Cash received from miscellaneous income | 44,484 |
| Cash disbursed for programs | (523,370) |
| Cash disbursed for general supporting services | <u>(416,016)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(87,448)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (85,046) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>537,150</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$452,104</u></u> |
| RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Increase (decrease) in net assets | (\$87,448) |
| Adjustments to reconcile increase in net assets used by operating activities: | |
| (Increase) decrease in: | |
| Accounts receivable | 31,944 |
| Prepaid expenses and advances | 15,308 |
| Increase (decrease) in: | |
| Reserve for inactive chapters | 4,676 |
| Accounts payable and accrued expenses | (2,557) |
| Accrued payroll | (2,392) |
| Deferred income | <u>(44,577)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u><u>(\$85,046)</u></u> |

See notes to financial statements.

USA DANCE, INC. - NATIONAL
For the Year Ended December 31, 2014

1 NATURE OF THE ORGANIZATION

USA Dance, Inc.- National (the Organization) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of USA Dance, Inc. - National is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representation of the Organization's management who is responsible for their integrity and objectivity. These Accounting policies conform to accounting principles generally accepted in the United States, unless otherwise stated, and have been consistently applied in the preparation of the financial statements.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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 determined at date of purchase. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

USA DANCE, INC. - NATIONAL
For the Year Ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH FLOW

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/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.

USE OF ESTIMATES

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

INVESTMENTS

Investments consist of Certificates of Deposit and are carried at cost which approximates fair value. There was no unrealized gain or loss on investments in 2014. Interest income is included as an increase in unrestricted net assets in the accompanying statement of activities since its use is unrestricted. There were no Certificate of Deposits at December 31, 2014.

PROPERTY AND EQUIPMENT

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method. The depreciation expense was \$ 0.00 for 2014.

USA DANCE, INC. - NATIONAL
For the Year Ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT (Continued)

Acquisitions of property and equipment in excess of \$2,500.00 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

CONTRIBUTED SERVICES

A number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time is not reflected in these statements, since it is not susceptible to objective measurement or valuation.

ADVERTISING EXPENSES

The Organization expenses all advertising costs as incurred.

3 INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

4 CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions located in the United States. Interest bearing cash accounts in the United States are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014, \$155,101 of the Organization accounts were not covered by the FDIC's \$250,000 insurance.

5 ACCOUNTS RECEIVABLE

There were no Accounts Receivable at December 31, 2014.

USA DANCE, INC. - NATIONAL
For the Year Ended December 31, 2014

6 PREPAID EXPENSES

Prepaid expenses at December 31, 2014 consist of the following:

| | |
|---------------------------------|------------------|
| Insurance | \$ 19,352 |
| American Dancer Editor Fees | 12,000 |
| Organizer Fees (2015 Nationals) | 8,000 |
| Your Membership Dues | <u>6,884</u> |
| Total | \$ <u>40,236</u> |

7 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for scholarships.

8 DEFERRED REVENUE

The Organization's membership dues are for DanceSport (competitors) and Social (all other members). Before January 1, 2013, all memberships expired one year from date paid and 50% of current year collections were considered deferred revenue for the next fiscal year. Beginning in 2013, all DanceSport memberships end at December 31 (the end of the fiscal year). Therefore, only memberships paid in the current year that are 2015 (prepaid) are recorded as deferred revenue. One half of current Social membership collections are still considered deferred at the end of the fiscal year.

Deferred Revenue as of December 31, 2014, consisted of the following:

| | |
|------------|-------------------|
| Social | \$ 120,772 |
| DanceSport | <u>76,935</u> |
| Total | \$ <u>197,707</u> |

9 COMMITMENTS AND CONTINGENCIES

In October 2013 the Organization entered into a three-year contract with AFPrince Associates 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 Championships and the Governing Council Meeting. In addition, they will be paid 15% of all advertising revenue related to the magazine excluding the Ernst Borel sponsor ads. Printing and postage costs will be paid by the Organization directly.

USA DANCE, INC. - NATIONAL
For the Year Ended December 31, 2014

9 COMMITMENTS AND CONTINGENCIES (continued)

In October 2013, the Organization entered into a three-year contract with Dance Notions, LLC that runs from 01-01-14 through 12-31-16 to provide chapter marketing website support services at a base cost of \$55,650 annually, paid with one initial payment each year of \$19,650 and monthly payments of \$3,000. Out of pocket costs and fees for other support services provided are paid by the organization as the invoices are received.

During 2014, and prior years, the Organization 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 the Event</u> | <u>Dates of Event</u> | <u>Cancellation Fees Begin</u> |
|--|-------------------------|--------------------------------|
| Renaissance Harborplace Hotel, Baltimore, MD | March 25-30, 2015 | November 22, 2011 |
| Renaissance Harborplace Hotel, Baltimore, MD | March 30-April 04, 2016 | August 19, 2013 |
| Renaissance Harborplace Hotel, Baltimore, MD | March 29-April 03, 2017 | August 20, 2014 |
| Renaissance Harborplace Hotel, Baltimore, MD | April 04-April 09, 2018 | August 20, 2015 |

10 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 18, 2016, the date of the report. The report was available to be issued on May 31, 2016.

11 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 2014 the identified amounts are shown as miscellaneous expenses. The entity is working with its Insurance carrier to seek reimbursement of these amounts. Additional amounts have also been identified in 2015. Every transaction for 2014 was reviewed by the previous bookkeeper, who previously held the volunteer position for 9 years, and reclassifications of expenses were made with discussions with members of the Governing Council.