

BALLETROX, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEARS ENDED JUNE 30, 2014 AND 2013

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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BALLETROX, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Mission Statement

The mission of BalletRox, Inc. is to expose Boston youth to dance and opportunities for mastery and performance, to which they would not otherwise have access, giving them discipline and a supportive community to succeed in life.

BALLETROX, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
BalletRox, Inc.
Jamaica Plain, Massachusetts

We have reviewed the accompanying statements of financial position of BalletRox, Inc. (a Massachusetts nonprofit organization) as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
March 10, 2015

BALLETROX, INC.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 10,416	\$ 50,290
Accounts Receivable, After School Program Fees	6,666	600
Grants and Contributions Receivable	<u>1,000</u>	<u>-</u>
Total Current Assets	<u>18,082</u>	<u>50,890</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Property and Equipment	3,170	3,170
Less: Accumulated Depreciation	<u>(1,359)</u>	<u>(906)</u>
Net Property and Equipment	<u>1,811</u>	<u>2,264</u>
<u>TOTAL ASSETS</u>	<u>\$ 19,893</u>	<u>\$ 53,154</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	<u>\$ 76</u>	<u>\$ 2,650</u>
Total Current Liabilities	<u>76</u>	<u>2,650</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	13,817	35,504
Temporarily Restricted Net Assets	<u>6,000</u>	<u>15,000</u>
Total Net Assets	<u>19,817</u>	<u>50,504</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 19,893</u>	<u>\$ 53,154</u>

BALLETROX, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(With Summarized Comparative Totals for 2013)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u> <u>2014</u>	<u>2013</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Program Service Revenues:</i>				
After School Program	\$ 32,799	\$ -	\$ 32,799	\$ 58,294
Miscellaneous Program Income	1,038	-	1,038	4,182
Donated Goods and Services	6,229	-	6,229	4,884
<i>Public Support:</i>				
Gifts, Grants and Contributions	27,924	6,000	33,924	70,966
<i>Other Income:</i>				
Gain on Sale of Van	-	-	-	7,120
<i>Reclassifications of Net Assets:</i>				
Satisfaction of Program Restrictions	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>82,990</u>	<u>(9,000)</u>	<u>73,990</u>	<u>145,446</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	85,926	-	85,926	67,021
<i>Supporting Services:</i>				
Administrative	9,575	-	9,575	10,670
Fund Raising	<u>9,176</u>	<u>-</u>	<u>9,176</u>	<u>10,579</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>104,677</u>	<u>-</u>	<u>104,677</u>	<u>88,270</u>
<u>CHANGE IN NET ASSETS BEFORE LOSSES</u>	<u>(21,687)</u>	<u>(9,000)</u>	<u>(30,687)</u>	<u>57,176</u>
Loss on Abandonment of Property and Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,824)</u>
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>(21,687)</u>	<u>(9,000)</u>	<u>(30,687)</u>	<u>39,352</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>35,504</u>	<u>15,000</u>	<u>50,504</u>	<u>11,152</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 13,817</u>	<u>\$ 6,000</u>	<u>\$ 19,817</u>	<u>\$ 50,504</u>

BALLETROX, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(With Summarized Comparative Totals for 2013)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>2014</u>	<u>2013</u>
Salaries and Wages	\$ 47,733	\$ -	\$ 6,910	\$ 54,643	\$ 24,385
Payroll Taxes	5,134	-	771	5,905	3,057
Contracted Services	752	-	-	752	26,471
Theater Rental	1,000	-	-	1,000	-
Scholarships	23,119	-	-	23,119	7,911
Professional Fees	-	5,200	300	5,500	3,605
Printing and Design Fees	-	1,300	440	1,740	6,200
Facilities and Equipment Storage Rental	3,420	-	-	3,420	3,112
Advertising	956	-	-	956	1,009
Miscellaneous	626	642	755	2,023	8,033
Travel and Meetings	-	-	-	-	18
Set and Props	2,000	-	-	2,000	-
Costumes	733	-	-	733	-
Depreciation Expense	453	-	-	453	453
Insurance	-	1,633	-	1,633	3,691
Bad Debt Expense	-	800	-	800	325
	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>325</u>
Total Functional Expenses	\$ 85,926	\$ 9,575	\$ 9,176	\$ 104,677	\$ 88,270

BALLETROX, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (30,687)	\$ 39,352
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Depreciation Expense	453	453
Gain on Sale of Van	-	(7,120)
Loss on Abandonment of Property and Equipment	-	17,824
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, After School Program Fees	(6,066)	(600)
Grants and Contributions Receivable	(1,000)	-
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(2,574)	(491)
Due to Related Party	-	(12,561)
Net Adjustment	<u>(9,187)</u>	<u>(2,495)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(39,874)</u>	<u>36,857</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from Sale of Van	-	7,120
Net Cash Flows from Investing Activities	<u>-</u>	<u>7,120</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>(39,874)</u>	<u>43,977</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>50,290</u>	<u>6,313</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 10,416</u>	<u>\$ 50,290</u>

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 ORGANIZATION

BalletRox, Inc. (“BalletRox” or the “Organization”) was incorporated in January 1992 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. BalletRox, Inc. is not classified as a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

Since inception, BalletRox has collaborated with the Tony Williams Dance Center (“TWDC”), formerly J P School of Dance, a Massachusetts Limited Liability Partnership. TWDC was formed in the early 1990’s by the founder and member of the Board of Directors of BalletRox, Tony Williams, to provide quality dance opportunities, reflective of the diversity and racial harmony of the community it serves. The collaboration changed in FY 2012, as the BalletRox dance company was disbanded in February 2012, and the decision was made in May 2012 by Tony Williams to have all shows previously produced by BalletRox privately produced by TWDC. Ballet Rox is now focused on its in-school and scholarship programs.

NOTE 2 PROGRAM SERVICES

The purpose of BalletRox is to engage in the following activities: to promote, advance and sponsor artistic endeavors, creative work and education in dance, theater, music and other performance arts, including but not limited to, providing activities and facilities on professional, semi-professional and recreational levels, sponsoring instruction, workshops, residencies and classes, providing rehearsal, performance and instructional spaces and sponsoring professional and non-professional concerts and performances.

Over the years, and specifically since 1997, BalletRox successfully focused on the connection between dance, diversity and community as described below:

The mission of BalletRox is to channel the power of dance to create new opportunities for inner-city Boston youth and to unite people and communities in a celebration of diversity.

BalletRox still operates under the founder’s original mission and subsequent dedication to diversity, accessibility and community with a focus on the educational components of dance as the foundation for performance. The mission of BalletRox is to expose Boston Youth to dance and opportunities for mastery and performance, to which they would not otherwise have access, giving them discipline and a supportive community to succeed in life.

BalletRox’s long-term plan continues to include professional performance opportunities as an integral part of program offerings.

BalletRox offers scholarships for under-served children, regardless of financial ability or career goals. All children at BalletRox receive a solid foundation in ballet, as well as an opportunity to explore other dance styles, such as modern, jazz, tap, and more.

BalletRox students and professional dancers have the opportunity to perform in critically acclaimed productions and other innovative dances. BalletRox continues to establish its unique position as a multi-racial provider of in-school and afterschool dance instruction. This is where dance gets real.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 2 (Continued)

All ballet schools teach dance technique, but because BalletRox focuses on at-risk, urban children, it is able to teach much more. BalletRox is uniquely positioned to provide the proven psychological and developmental benefits of dance. Through dance classes and performance opportunities students learn discipline, teamwork, self-respect, and self-esteem. BalletRox provides critical tools for helping young people manage peer pressures, family crisis, and threats from the streets as well as for success in the adult world.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of 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; however, adherence to generally accepted accounting principles has, in the management's opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports 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. These classifications are related to the existence or absence of donor-imposed restrictions as described below:

Unrestricted Net Assets - consists of assets, contributions from the general public and program revenues which are available and used for operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization may include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 3 (Continued)

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, there were no net assets of this nature.

The financial statements include certain 2013 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and, in the Statement of Functional Expenses, 2013 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Receivables:

Accounts Receivable, After School Program Fees represents uncollected fees due from after school programs.

Grants and Contributions Receivable represent amounts which are due from individual donors, organizations, and foundations which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. The fair value of the grants and contributions approximates carrying value due to the short maturity of the instrument.

Management believes that *Accounts Receivable, After School Program Fees and Grants and Contributions Receivable* will be collected in full; accordingly, these financial statements do not contain a provision for uncollectible amounts. Balances that remain outstanding after management has made reasonable collection efforts are written off through a charge to activities.

Property and Equipment:

BalletRox, Inc. records property and equipment in excess of \$500 at cost, if purchased, or if donated, at the fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against activities over the estimated useful lives of the assets, as expressed in terms of years.

Revenue Recognition:

Revenue is recognized as the program services are rendered. Fees for the after school program may be paid by the term or in installments.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 3 (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets. The Organization has elected to report restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of the donated goods and services which requires a specialized skill and/or which would have otherwise been purchased by the Organization are recorded at their fair value in the period received. Members of the Board of Directors and other volunteers donated numerous hours of services, assisting with the Organization's mission, office administrative work, promotional, artistic and community outreach. These services, while significant, do not meet the recognition criteria and, therefore, have not been recorded in the accompanying financial statements.

Functional Expenses:

The Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using a salary-based formulas or from the nature of related item. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to BalletRox, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds for BalletRox's programs.

Advertising:

The Organization expenses the costs of advertising at the time the advertising is incurred.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 3 (Continued)

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the classification of its workforce as independent contractors and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. All tax periods prior to FY 2011 are no longer subject to examination by tax authorities.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2014 and 2013:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2014</u>	<u>2013</u>
Marley Dance Floor	7	<u>\$3,170</u>	<u>\$1,359</u>	<u>\$1,811</u>	<u>\$2,264</u>

During FY 2013, a fully depreciated van with an original basis of \$22,019 was sold at a gain of \$7,120. Studio improvements, equipment and a dance floor remained at the TWDC rented studio location, which was vacated by BalletRox during FY 2012. The disposition and ultimate abandonment of these items was determined during FY 2013 when the two parties finalized negotiations. The cost basis of these items was \$49,082 and the accumulated depreciation was \$31,258 as of June 30, 2013, resulting in a loss on the abandonment of property and equipment of \$17,824.

NOTE 5 NET ASSETS

Temporarily Restricted Net Assets:

As of June 30, 2014, BalletRox had \$1,000 of temporarily restricted funds specified for costume materials and \$5,000 of temporarily restricted funds via a Community Partnership Fund for the FY 2015 fiscal year.

As of June 30, 2013, BalletRox had \$15,000 of temporarily restricted funds specified for an Arts Expansion Initiative in two schools for the 2013-2014 school year. These temporarily restricted funds were released from restriction during the year ended June 30, 2014.

NOTE 6 RELATED PARTY TRANSACTIONS

As described in Note 1, BalletRox collaborated with a for-profit limited liability partnership, the Tony Williams Dance Center ("TWDC"). The President of TWDC is the founder and member of the Board of Directors of BalletRox (through December 2012).

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 6 *(Continued)*

The following transactions took place between the two entities during the years ended June 30, 2014 and 2013:

Scholarships:

BalletRox incurred costs of \$23,119 and \$7,911 for scholarships for students to attend TWDC during FY 2014 and 2013, respectively.

TWDC Use of BalletRox Property and Equipment:

During FY 2013, BalletRox received \$2,251 from TWDC for equipment and costume rental fees, which has been included in *Miscellaneous Program Income* in the accompanying Statement of Activities.

NOTE 7 IN-KIND GOODS AND SERVICES

For the years ended June 30, 2014 and 2013, BalletRox received the following donated goods and services which met the recognition criteria:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Communications and Marketing	\$ 958	\$ 638
Scholarship Event Expenses	347	1,160
Software	827	1,570
Office Supplies	566	853
Postage	531	663
Sets and Props	2,000	-
Theater Rental	<u>1,000</u>	<u>-</u>
Total	<u>\$6,229</u>	<u>\$4,884</u>

NOTE 8 CONCENTRATIONS

Accounts Receivable, After School Program Fees:

As of June 30, 2014, 100% of Accounts Receivable, After School Program Fees is due from one school.

Revenue:

For the year ended June 30, 2014, revenue from one school program represented approximately 27% of total support and revenue.

NOTE 9 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through March 10, 2015, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.