

BALLETROX, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEAR ENDED JUNE 30, 2015

(With Summarized Comparative Information for 2014)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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BALLETROX, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

(With Summarized Comparative Information for 2014)

Mission Statement

“A chance to dance!”

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

YEAR ENDED JUNE 30, 2015

(With Summarized Comparative Information for 2014)

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of BalletRox, Inc. (a Massachusetts nonprofit organization) as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 review, 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.

We previously reviewed BalletRox's FY 2014 financial statements and in our conclusion dated March 10, 2015 stated that based on our review, we were not aware of any material modifications that should be made to the FY 2014 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2014, for it to be consistent with the reviewed financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
March 4, 2016

BALLETROX, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 17,430	\$ 10,416
Accounts Receivable	5,400	6,666
Grants and Contributions Receivable	3,340	1,000
Total Current Assets	<u>26,170</u>	<u>18,082</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Property and Equipment	3,170	3,170
Less: Accumulated Depreciation	<u>(1,812)</u>	<u>(1,359)</u>
Net Property and Equipment	<u>1,358</u>	<u>1,811</u>
<u>TOTAL ASSETS</u>	<u>\$ 27,528</u>	<u>\$ 19,893</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ -	\$ 76
Total Current Liabilities	<u>-</u>	<u>76</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	21,528	13,817
Temporarily Restricted Net Assets	<u>6,000</u>	<u>6,000</u>
Total Net Assets	<u>27,528</u>	<u>19,817</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 27,528</u>	<u>\$ 19,893</u>

BALLETROX, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With Summarized Comparative Totals for 2014)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u> <u>2015</u>	<u>2014</u>
<u>SUPPORT AND REVENUES:</u>				
<i>Program Service Revenues:</i>				
School-Based Programs	\$ 27,814	\$ -	\$ 27,814	\$ 32,799
BalletRox Dance! Tuition Fees	54,866	-	54,866	-
Ticket Sales	2,438	-	2,438	-
Miscellaneous Program Income	-	-	-	1,038
<i>Public Support:</i>				
Gifts, Grants and Contributions	73,602	6,000	79,602	33,924
Donated Goods and Services	7,491	-	7,491	6,229
<i>Reclassifications of Net Assets:</i>				
Satisfaction of Program Restrictions	<u>6,000</u>	<u>(6,000)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT AND REVENUES</u>	<u>172,211</u>	<u>-</u>	<u>172,211</u>	<u>73,990</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	146,101	-	146,101	85,926
<i>Supporting Services:</i>				
Administrative	8,146	-	8,146	9,575
Fund Raising	<u>10,253</u>	<u>-</u>	<u>10,253</u>	<u>9,176</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>164,500</u>	<u>-</u>	<u>164,500</u>	<u>104,677</u>
<u>CHANGE IN NET ASSETS</u>	7,711	-	7,711	(30,687)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>13,817</u>	<u>6,000</u>	<u>19,817</u>	<u>50,504</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 21,528</u>	<u>\$ 6,000</u>	<u>\$ 27,528</u>	<u>\$ 19,817</u>

BALLETROX, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With Summarized Comparative Totals for 2014)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2015</u>	<u>2014</u>
Salaries and Wages	\$ 47,099	\$ -	\$ 8,873	\$ 55,972	\$ 54,643
Payroll Taxes	5,362	-	1,010	6,372	5,905
Contracted Dance Instructors	18,535	-	-	18,535	752
Scholarships	48,000	-	-	48,000	23,119
Professional Fees	-	4,775	-	4,775	5,500
Field Trip Fees	4,295	-	-	4,295	-
Printing and Design Fees	1,340	250	-	1,590	1,740
Advertising	1,448	-	-	1,448	956
Theater and Studio Rental	7,722	-	-	7,722	1,000
Facilities and Equipment Storage Rental	3,525	295	-	3,820	3,420
Set and Props	-	-	-	-	2,000
Costumes	5,880	-	-	5,880	733
Depreciation Expense	453	-	-	453	453
Insurance	-	347	-	347	1,633
Bad Debt Expense	-	-	-	-	800
Miscellaneous	2,442	2,479	370	5,291	2,023
Total Functional Expenses	\$ 146,101	\$ 8,146	\$ 10,253	\$ 164,500	\$ 104,677

BALLETROX, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 7,711	\$ (30,687)
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Depreciation Expense	453	453
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable	1,266	(6,066)
Grants and Contributions Receivable	(2,340)	(1,000)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	<u>(76)</u>	<u>(2,574)</u>
Net Adjustment	<u>(697)</u>	<u>(9,187)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>7,014</u>	<u>(39,874)</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	7,014	(39,874)
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>10,416</u>	<u>50,290</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 17,430</u>	<u>\$ 10,416</u>

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 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.

The Organization is primarily funded by its school programs and grants and contributions from the general public.

NOTE 2 PROGRAM SERVICES

BalletRox strives to improve the well-being of local youth and the greater community through exposure and access to dance. BalletRox programs are based on the premise that participation in dance not only provides dance training, but also contributes to social development, encourages healthy lifestyle, and helps develop valuable life skills. While BalletRox helps students increase technical dance abilities, it is these additional skills which lead to increased confidence levels and self-efficacy that are the most important goals of BalletRox’s programming.

BalletRox works to expose Boston youth to dance and performance, who otherwise would not have the opportunity. BalletRox provides a supportive and safe community in which self-expression, confidence and discipline are cultivated.

BalletRox runs in-school and after-school dance programs at Boston Public School sites throughout the city. These year-long programs provide arts-integrated dance curriculum to nearly 1,000 Boston Public School students each year.

BalletRox Dance! is a community dance program located in Jamaica Plain that commenced during FY 2015. BalletRox Dance! is open to all community members; there is no audition or selection process. Full and partial scholarships are made available on a sliding fee schedule based on family income and size. Prior to FY 2015, BalletRox provided scholarships for children to attend external dance instruction programs. Starting with FY 2015, BalletRox now operates its own programs.

BalletRox programs are based on the premise that participation in dance not only provides dance training, but also contributes to students’ social development and teaches valuable life skills. 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.

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

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 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.

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, 2015

(With Summarized Comparative Information for 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, the Organization did not have any assets of this nature.

The accompanying financial statements include certain FY 2014 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, FY 2014 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, 2014 from which the summarized information was derived.

Receivables:

Accounts Receivable represents uncollected fees due from 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 periodically reviews specific accounts receivable balances, grants and commitments to determine if any balances are uncollectible. Management considers *Accounts Receivable* and *Grants and Contributions Receivable* fully collectible; therefore, no allowance for doubtful amounts has been established. If balances are determined to be uncollectible in subsequent periods, an allowance will be established at that time. For the year ended June 30, 2015, there was no bad debt expense related to uncollectible receivables and for the year ended June 30, 2014, bad debt expense totaled \$800.

Property and Equipment:

Property and equipment purchases in excess of \$500 are capitalized at cost, if purchased, or if donated, at fair value at the date of the 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 to activities over the estimated useful lives of the assets, as expressed in terms of years.

Revenue Recognition:

School program fees are recognized as revenue as the services are rendered.

The BalletRox Dance! program has established tuition rates based upon the number of classes per week of attendance and the age group of the child. Tuition, which includes dancewear and recital costumes, can be paid annually or divided into three installment payments. Parents also pay a nonrefundable registration fee.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 3 *(Continued)*

BalletRox Dance! offers need-based reduced tuition through scholarships based on family size, number of children under the age of 18 living in the household, the annual family income, and sources of income. The fees for optional master dance class are waived for these scholarship students. BalletRox separately tracks these scholarships and has reflected these amounts as *Scholarships* expense in the accompanying Statement of Functional Expenses. Scholarships for the BalletRox Dance! Program, which commenced in FY 2015, were approximately \$48,000 for the year ended June 30, 2015.

Gifts, Grants and Contributions:

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.

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 contributions of donated goods and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statement of Activities and are reported as expenses on the Statement of Functional Expenses. 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:

As required by the *FASB Accounting Standards Codification*TM, 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.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 3 *(Continued)*

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.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2015 and 2014:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2015</u>	<u>2014</u>
Marley Dance Floor	7	<u>\$3,170</u>	<u>\$1,812</u>	<u>\$1,358</u>	<u>\$1,811</u>

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015, BalletRox had temporarily restricted funds of \$1,000 specified for the BalletRox Dance! program and \$5,000 via a Community Partnership Fund restricted for the FY 2016 fiscal year.

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

NOTE 6 RELATED PARTY TRANSACTIONS

During FY 2014, BalletRox collaborated with a for-profit limited liability partnership, the Tony Williams Dance Center ("TWDC"). The President of TWDC is the founder and former member of the Board of Directors of BalletRox. BalletRox incurred costs of \$23,119 for scholarships for students to attend TWDC during FY 2014. As disclosed in Note 2, BalletRox discontinued this arrangement with the new BalletRox Dance! program offered directly by BalletRox.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 7 IN-KIND GOODS AND SERVICES

For the years ended June 30, 2015 and 2014, BalletRox received the following donated goods and services which have been recorded in the accompanying financial statements:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Communications and Marketing	\$1,448	\$ 958
Show Tickets (Field Trips)	3,279	-
Scholarship Event Expenses	-	347
Computer Software	881	827
Office Supplies	1,462	566
Postage	421	531
Sets and Props	-	2,000
Theater Rental	-	<u>1,000</u>
Total	<u>\$7,491</u>	<u>\$6,229</u>

NOTE 8 RENTAL AGREEMENT

BalletRox entered into a space sharing arrangement in the form of an ongoing rental agreement at the Spontaneous Celebrations community facility located in Jamaica Plain effective September 2014 through June 30, 2015. The rental agreement provided BalletRox with dance studio space at \$25 per hour for their BalletRox Dance! Program in addition to \$1,000 for shared office space for the duration of the agreement. For the fiscal year ended June 30, 2015, total rent expense paid to Spontaneous Celebrations amounted to \$5,938, and is included within the *Theater and Studio Rental* expense in the accompanying Statement of Functional Expenses.

Effective July 1, 2015, the agreement was extended through June 30, 2016 at the annual rate of \$10,000.

NOTE 9 CONCENTRATIONS

Accounts Receivable:

As of June 30, 2015 and 2014, the balance of *Accounts Receivable* is due from one school in each respective year.

Revenue:

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

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 10 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 4, 2016, the date which the financial statements were available for issue, and noted the following event which met the disclosure criteria.

Rental Agreement:

As disclosed in Note 8, BalletRox extended their space rental arrangement at Spontaneous Celebrations.