

BALLETROX, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEAR ENDED JUNE 30, 2018

(With Summarized Comparative Information for 2017)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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BALLETROX, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(With Summarized Comparative Information for 2017)

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, 2018

(With Summarized Comparative Information for 2017)

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of BalletRox, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. 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's Responsibility for the Financial Statements

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.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountants' Conclusion

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.

Summarized Comparative Information

We previously reviewed BalletRox, Inc.'s FY 2017 financial statements and in our conclusion dated April 5, 2018 stated that based on our review, we were not aware of any material modifications that should be made to the FY 2017 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, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
October 31, 2018

BALLETROX, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS:</u>		
Cash, Operating	\$ 84,386	\$ 56,200
Board Designated Funds	10,000	23,000
Accounts Receivable	10,500	14,500
Grants and Contributions Receivable	30,882	5,000
Prepaid Expenses	-	1,931
Total Current Assets	<u>135,768</u>	<u>100,631</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Property and Equipment	6,252	3,170
Less: Accumulated Depreciation	<u>(3,684)</u>	<u>(2,718)</u>
Net Property and Equipment	<u>2,568</u>	<u>452</u>
<u>TOTAL ASSETS</u>	<u>\$ 138,336</u>	<u>\$ 101,083</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 2,583	\$ -
Total Current Liabilities	<u>2,583</u>	<u>-</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets:		
Board Designated Net Assets	10,000	23,000
Unrestricted Net Assets	<u>60,753</u>	<u>32,083</u>
Total Unrestricted Net Assets	70,753	55,083
Temporarily Restricted Net Assets	<u>65,000</u>	<u>46,000</u>
Total Net Assets	<u>135,753</u>	<u>101,083</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 138,336</u>	<u>\$ 101,083</u>

BALLETROX, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Totals for 2017)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u> <u>2018</u>	<u>2017</u>
<u>SUPPORT AND REVENUES:</u>				
<i>Program Service Revenues:</i>				
School-Based Programs	\$ 39,500	\$ -	\$ 39,500	\$ 35,500
BalletRox Dance! Tuition Fees	82,158	-	82,158	72,744
Ticket Sales	2,790	-	2,790	3,219
<i>Public Support:</i>				
Gifts, Grants and Contributions	124,590	65,000	189,590	160,393
Donated Goods and Services	7,934	-	7,934	12,053
<i>Reclassifications of Net Assets:</i>				
Satisfaction of Program Restrictions	46,000	(46,000)	-	-
<u>TOTAL SUPPORT AND REVENUES</u>	<u>302,972</u>	<u>19,000</u>	<u>321,972</u>	<u>283,909</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	244,639	-	244,639	195,900
<i>Supporting Services:</i>				
Administrative	9,206	-	9,206	10,656
Fund Raising	33,457	-	33,457	18,150
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>287,302</u>	<u>-</u>	<u>287,302</u>	<u>224,706</u>
<u>CHANGE IN NET ASSETS</u>	<u>15,670</u>	<u>19,000</u>	<u>34,670</u>	<u>59,203</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>55,083</u>	<u>46,000</u>	<u>101,083</u>	<u>41,880</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 70,753</u>	<u>\$ 65,000</u>	<u>\$ 135,753</u>	<u>\$ 101,083</u>

BALLETROX, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Totals for 2017)

	<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>2018</u>	<u>2017</u>
Salaries and Wages	\$ 121,888	\$ -	\$ 23,217	\$ 145,105	\$ 102,060
Payroll Taxes	11,215	-	2,136	13,351	10,737
Employee Benefits	11,256	-	2,144	13,400	-
Scholarships	65,000	-	-	65,000	62,100
Professional Fees	955	5,955	4,375	11,285	6,054
Field Trip Fees	2,064	-	-	2,064	2,452
Printing and Design Fees	375	-	-	375	1,845
Advertising	1,695	64	-	1,759	1,435
Theater and Studio Rental	13,793	-	-	13,793	15,706
Set and Props	-	-	-	-	228
Costumes	6,593	-	-	6,593	9,163
Depreciation Expense	483	483	-	966	453
Insurance	942	-	-	942	2,553
Miscellaneous	8,380	2,704	1,585	12,669	9,920
	<u>8,380</u>	<u>2,704</u>	<u>1,585</u>	<u>12,669</u>	<u>9,920</u>
Total Functional Expenses	<u>\$ 244,639</u>	<u>\$ 9,206</u>	<u>\$ 33,457</u>	<u>\$ 287,302</u>	<u>\$ 224,706</u>

BALLETROX, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 34,670	\$ 59,203
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	966	453
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable	4,000	(13,870)
Grants and Contributions Receivable	(25,882)	-
Prepaid Expenses	1,931	(1,931)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	2,583	-
Net Adjustment	<u>(16,402)</u>	<u>(15,348)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>18,268</u>	<u>43,855</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Cash Outlay for Capital Expenditures	<u>(3,082)</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>(3,082)</u>	<u>-</u>
<u>NET INCREASE IN CASH BALANCES</u>	<u>15,186</u>	<u>43,855</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>79,200</u>	<u>35,345</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 94,386</u>	<u>\$ 79,200</u>
<i>Cash Balances:</i>		
Cash, Operating	\$ 84,386	\$ 56,200
Board Designated Funds	10,000	23,000
	<u>\$ 94,386</u>	<u>\$ 79,200</u>

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Summarized Comparative Information for 2017)

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 is open to all community members with no audition or selection process. Full and partial scholarships are made available on a sliding fee schedule based on family income and size.

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, 2018

(With Summarized Comparative Information for 2017)

(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, 2018

(With Summarized Comparative Information for 2017)

(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 2017 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 2017 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, 2017 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 years ended June 30, 2018 and 2017, there was no bad debt expense related to uncollectible receivables.

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. As of June 30, 2017, property and equipment consists of a Marley dance floor, as well as a portable stage floor covering, with an original cost of \$3,170. The estimate useful life of the dance floor is seven years. In FY 2018, the Organization purchased computer equipment at an original cost of \$3,082. The estimated useful life of the computer equipment is three years. Depreciation expense was \$966 and \$453 for the years ended June 30, 2018 and 2017, respectively.

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, 2018

(With Summarized Comparative Information for 2017)

(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 were \$65,000 and \$62,100 for the years ended June 30, 2018 and 2017, respectively.

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, 2018

(With Summarized Comparative Information for 2017)

(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.

Recent Accounting Guidance:

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning on July 1, 2018 and is not expected to have a material effect on the Organization's financial position or change in net assets.

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*, which deferred the effective date of ASC Update No. 2014-09 by one year. This guidance will be effective for this Organization beginning on July 1, 2019 and is not expected to have a material effect on the Organization's financial position or change in net assets.

NOTE 4 RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

As of June 30, 2018, unrestricted net assets of \$10,000 were designated by the Board of Directors for an operating reserve.

As of June 30, 2017, unrestricted net assets of \$23,000 were designated by the Board of Directors to fund programs in the following fiscal year.

As of June 30, 2018, BalletRox had temporarily restricted funds of \$65,000, specified for FY 2019 program activities.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 4 (Continued)

As of June 30, 2017, BalletRox had temporarily restricted funds of \$46,000 specified for FY 2018 program activities. These temporarily restricted funds were released from restriction during the year ended June 30, 2018.

NOTE 5 DONATED GOODS AND SERVICES

For the years ended June 30, 2018 and 2017, BalletRox received the following donated goods and services which have been recorded in the accompanying financial statements:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Communications and Marketing	\$1,695	\$ 1,489
Entertainment (Field Trips)	316	1,664
Costumes and Dancewear	968	2,806
Computer Software	-	1,831
Supplies	3,612	3,526
Postage	668	508
Processional Fees	675	-
Sets and Props	-	229
Total	<u>\$7,934</u>	<u>\$12,053</u>

NOTE 6 RENTAL AGREEMENT

BalletRox is party to a space sharing arrangement in the form of an ongoing rental agreement at the Spontaneous Celebrations community facility located in Jamaica Plain. The rental agreement provides BalletRox with dance studio space for their BalletRox Dance! Program. Total rent expense paid to Spontaneous Celebrations amounted to \$11,300 and \$10,000, respectively, for the years ended June 30, 2018 and 2017 and is included within the *Theater and Studio Rental* expense in the accompanying Statement of Functional Expenses.

NOTE 7 CONCENTRATIONS

Accounts Receivable:

As of June 30, 2018 and 2017, the balance of *Accounts Receivable* is due from two and three schools, respectively.

Grants and Contributions Receivable:

As of June 30, 2018, 65% of *Grants and Contributions Receivable* was due from one donor.

As of June 30, 2017, *Grants and Contributions Receivable* primarily consists of amounts due from the Massachusetts and Boston Cultural Councils.

BALLETROX, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 8 RETIREMENT PLAN

BalletRox maintains a retirement savings plan for employees meeting certain eligibility requirements. The Organization, at its discretion, may match a portion of the employees' contributions. For the year ended June 30, 2018, the total expense reordereed for the Organization's match was \$1,145 and is included in *Employee Benefits* in the accompanying Statement of Functional Expenses.

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 October 31, 2018 the date which the financial statements were available for issue, and noted the following event which met the disclosure criteria.