

ALL STARS PROJECT, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2009

Independent Auditor's Report

Board of Directors All Stars Project, Inc.

We have audited the accompanying statement of financial position of All Stars Project, Inc. (ASP) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ASP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from ASP's 2008 financial statements and, in our report dated March 25, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of All Stars Project, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All Stars Project, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



February 22, 2010

ALL STARS PROJECT, INC.

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ALL STARS PROJECT, INC.

EXHIBIT A

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009
(With Summarized Financial Information
for the Year Ended December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2009	2008
Revenues, gains (losses) and other support					
Contributions	\$ 3,606,382	\$ 1,703,184		\$ 5,309,566	\$ 4,745,903
Membership revenues	113,870			113,870	125,455
All Stars ticket sales	23,186			23,186	31,155
Theatre ticket sales	81,004			81,004	57,390
Theatre subscriptions	4,050			4,050	1,445
Special events	\$ 872,610				
Less direct cost of special events	<u>(222,187)</u>				
Net revenues from special events	650,423			650,423	906,507
Product sales	1,816			1,816	3,240
Interest and dividends	9,064			9,064	38,111
Realized and unrealized loss on investments	(2,791)			(2,791)	(3,480)
Gain (loss) on beneficial interest in charitable remainder unitrust	39,688			39,688	(40,727)
Training and licensing fees	10,000			10,000	15,000
Other revenues	1,194			1,194	587
Net assets released from restrictions (Note 9)	<u>1,627,540</u>	<u>(1,627,540)</u>			
Total revenues, gains (losses) and other support	<u>6,165,426</u>	<u>75,644</u>		<u>6,241,070</u>	<u>5,880,586</u>
Expenses (Exhibit C)					
Program services					
All Stars Talent Show Network	1,417,588			1,417,588	1,508,979
Development School for Youth	1,134,180			1,134,180	987,436
Castillo Theatre	832,571			832,571	595,088
Volunteerism and Education	556,321			556,321	502,561

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ALL STARS PROJECT, INC.

EXHIBIT A

STATEMENT OF ACTIVITIES

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YEAR ENDED DECEMBER 31, 2009
(With Summarized Financial Information
for the Year Ended December 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2009</u>	<u>2008</u>
Expenses (Exhibit C) (continued)					
Program services (continued)					
Youth on Stage	\$ 556,603			\$ 556,603	\$ 344,438
Production of Youth by Youth					83,702
Total program services	<u>4,497,263</u>			<u>4,497,263</u>	<u>4,022,204</u>
Supporting services					
Management and general	522,418			522,418	564,480
Fund raising	956,253			956,253	885,933
Total supporting services	<u>1,478,671</u>			<u>1,478,671</u>	<u>1,450,413</u>
Total expenses	<u>5,975,934</u>			<u>5,975,934</u>	<u>5,472,617</u>
Change in net assets before loss on disposal of fixed assets	189,492	\$ 75,644		265,136	407,969
Loss on disposal of fixed assets	<u>(22,087)</u>			<u>(22,087)</u>	
Change in net assets (Exhibit D)	167,405	75,644		243,049	407,969
Net assets - beginning of year	<u>5,792,839</u>	<u>1,203,414</u>	\$ <u>100,000</u>	<u>7,096,253</u>	<u>6,688,284</u>
Net assets - end of year (Exhibit B)	<u>\$ 5,960,244</u>	<u>\$ 1,279,058</u>	<u>\$ 100,000</u>	<u>\$ 7,339,302</u>	<u>\$ 7,096,253</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALL STARS PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 2,194,307	\$ 1,798,916
Investments (Note 3)	1,239,351	1,201,027
Contributions receivable (Note 4)	576,603	612,573
Prepaid expenses and security deposit	85,414	76,485
Limited use assets		
Cash held in escrow		4,081
Beneficial interest in charitable remainder unitrust (Note 5)	184,280	144,592
Fixed assets - net (Note 6)	<u>15,214,334</u>	<u>15,929,313</u>
Total assets	<u>\$ 19,494,289</u>	<u>\$ 19,766,987</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 46,991	\$ 65,640
Construction payable		131,977
Accrued salaries and related expenses payable	348,364	356,188
Deferred revenue	18,405	12,894
Accrued interest payable	113,874	124,035
Capital lease (Note 7)	11,245,000	11,480,000
Loan payable (Note 11)	<u>382,353</u>	<u>500,000</u>
Total liabilities	<u>12,154,987</u>	<u>12,670,734</u>
Net assets (Exhibit A)		
Unrestricted - operating	1,990,910	1,475,503
Unrestricted - plant	<u>3,969,334</u>	<u>4,317,336</u>
Total unrestricted	5,960,244	5,792,839
Temporarily restricted (Note 9)	1,279,058	1,203,414
Permanently restricted (Note 15)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>7,339,302</u>	<u>7,096,253</u>
Total liabilities and net assets	<u>\$ 19,494,289</u>	<u>\$ 19,766,987</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009
(With Summarized Financial Information
for the Year Ended December 31, 2008)

	Program Services						Management and General	Fund Raising	Special Events	Total	
	All Stars Talent Show Network	Development School for Youth	Castillo Theatre	Volunteerism and Education	Youth on Stage	Total				2009	2008
Salaries	\$ 598,371	\$ 611,927	\$ 268,946	\$ 128,163	\$ 266,031	\$ 1,873,438	\$ 276,098	\$ 498,902		\$ 2,648,438	\$ 2,326,658
Payroll taxes and employee benefits	111,983	114,478	50,047	26,752	54,751	358,011	72,449	75,090		505,550	418,035
Total salaries and related expenses	710,354	726,405	318,993	154,915	320,782	2,231,449	348,547	573,992		3,153,988	2,744,693
Grants	4,527		4,000	10,000		18,527				18,527	27,162
Professional fees	49,316	24,853	5,562	54,272	29,224	163,227	26,741	36,432		226,400	291,433
Production expense	75,388	43,864	48,086	3,842	8,826	180,006	499	46,900	\$ 34,060	261,465	311,692
Interest expense	78,493	48,591	89,706	67,280	37,378	321,448	18,689	33,640		373,777	370,593
Credit service and bank charges	2,765	4,023	5,945	2,953	1,089	16,775	5,496	41,975		64,246	56,426
Insurance	27,803	17,215	31,672	23,799	13,197	113,686	6,598	11,982		132,266	95,412
Telephone	17,712	8,307	3,791	7,218	2,715	39,743	10,062	13,783		63,588	65,488
Database and computer services	8,420	3,912	2,173	5,106	3,649	23,260	5,575	5,419		34,254	48,599
Occupancy	69,450	34,696	37,118	39,733	15,327	196,324	29,053	21,272		246,649	344,628
Training and outreach	24,655	17,002	21,271	9,896	6,130	78,954	1,132	7,694		87,780	77,041
Advertising and design	12,453	9,370	13,075	3,741	4,154	42,793	204	11,318		54,315	55,668
Transportation	33,023	34,468	2,175	5,440	3,020	78,126	980	10,058		89,164	100,063
Equipment rental	15,189	2,760	1,662	1,770	2,951	24,332	5,249	4,377		33,958	32,167
Repairs and maintenance	26,313	15,312	27,124	20,333	12,269	101,351	8,296	11,747		121,394	111,614
Postage and shipping	16,319	5,911	2,151	1,585	969	26,935	1,074	13,290		41,299	39,112
Office expense	18,854	8,831	4,028	4,651	4,124	40,488	10,073	11,098		61,659	46,635
Catering	1,404	4,386		4,239		10,029		1,644	178,007	189,680	182,780
Printing	30,616	19,406	30,615	2,849	3,712	87,198	1,117	19,669		107,984	107,263
Space rental	25,227	2,654		1,118	2,475	31,474		109	10,120	41,703	83,413
Depreciation and amortization	154,434	96,100	178,812	128,877	80,894	639,117	38,654	67,021		744,792	473,616
Dues, subscriptions and conference fees	12,467	3,694	3,791	1,900	3,387	25,239	2,799	11,203		39,241	44,995
Miscellaneous	2,406	2,420	821	804	331	6,782	1,580	1,630		9,992	10,727
Total expenses	1,417,588	1,134,180	832,571	556,321	556,603	4,497,263	522,418	956,253	222,187	6,198,121	5,721,220
Less direct cost of special events									(222,187)	(222,187)	(248,603)
Total expenses (excluding direct expenses of special events) (Exhibit A)	\$ 1,417,588	\$ 1,134,180	\$ 832,571	\$ 556,321	\$ 556,603	\$ 4,497,263	\$ 522,418	\$ 956,253	\$ -	\$ 5,975,934	\$ 5,472,617

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALL STARS PROJECT, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 243,049	\$ 407,969
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated stock	(421,651)	(465,421)
Depreciation	744,792	473,616
Realized and unrealized loss on investments	2,791	3,480
Realized loss on disposal of fixed asset	22,087	
Loss (gain) on beneficial interest in charitable remainder unitrust	(39,688)	40,727
Decrease (increase) in assets		
Contributions receivable	35,970	505,876
Prepaid expenses and security deposit	(8,929)	44,142
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(18,649)	18,106
Accrued salaries and related expenses payable	(7,824)	224,907
Accrued interest payable	(10,161)	124,035
Deferred revenue	5,511	12,894
Net cash provided by operating activities	<u>547,298</u>	<u>1,390,331</u>
Cash flows from investing activities		
Decrease in limited use assets	4,081	1,863,724
Fixed asset additions	(183,877)	(2,684,556)
Purchase of investments	(829,634)	(1,500,388)
Proceeds from sale of investments	<u>1,210,170</u>	<u>2,157,982</u>
Net cash provided (used) by investing activities	<u>200,740</u>	<u>(163,238)</u>
Cash flows from financing activities		
Principal payments on loan	(117,647)	
Proceeds from loan		500,000
Principal payments on capital lease	<u>(235,000)</u>	<u>(220,000)</u>
Net cash provided (used) by financing activities	<u>(352,647)</u>	<u>280,000</u>
Net increase in cash	395,391	1,507,093
Cash and cash equivalents - beginning of year	<u>1,798,916</u>	<u>291,823</u>
Cash and cash equivalents - end of year	<u>\$ 2,194,307</u>	<u>\$ 1,798,916</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest - net of amounts capitalized	<u>\$ 383,938</u>	<u>\$ 246,558</u>
Cash paid during the year for capitalized interest	<u>\$ -</u>	<u>\$ 275,053</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 - NATURE OF ORGANIZATION

All Stars Project, Inc. (ASP) is a nonpartisan, not-for-profit 501(c)(3) organization dedicated to promoting human development through the use of an innovative performance-based model. Founded in 1981, ASP creates privately funded, outside-of-school educational and performing arts activities for tens of thousands of poor and minority young people. It sponsors community and experimental theatre, develops leadership training and pursues volunteer initiatives that build and strengthen communities.

ASP actively promotes supplementary education and the performance learning model in academic and civic arenas.

The All Stars Talent Show Network

The All Stars Talent Show Network (ASTSN) is an after-school, performance-based enrichment program for inner city youth. Each year, thousands of children and young adults aged 5-25 participate in several dozen All Stars events. ASTSN is produced in New York, NY, Newark, NJ, Chicago, IL, and the Bay Area, CA. In addition, ASP has licensing agreements with other nonprofit organizations to produce ASTSN in Atlanta, GA, Boston, MA, and Los Angeles, CA.

The Joseph A. Forgione Development School for Youth

The Joseph A. Forgione Development School for Youth (DSY) is a leadership-training program for young people between the ages of 16 to 21. DSY's two yearly leadership-training cycles are organized as ensemble performances and include a series of workshops led by senior executives from corporations who partner with the program. DSY graduates are placed in summer internships provided by sponsoring companies. DSY programming is currently in New York, New York, Newark, New Jersey, Chicago, Illinois, and the Bay Area, California.

The Castillo Theatre

The Castillo Theatre brings challenging, thought-provoking entertainment to the heart of New York's theatre district. Since 1983, Castillo has staged over 100 productions from multicultural and avant garde plays, to musicals and performance projects.

Youth Onstage!

Youth Onstage! provides young performers aged 13 to 21 with the opportunity to perform on stage in plays that have something to say about the world and its future. In addition to producing plays for young casts, Youth Onstage! conducts classes and workshops in acting, playwriting, improvisation and technical theatre.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 - NATURE OF ORGANIZATION (continued)

Talented Volunteers

The award-winning Talented Volunteers program involves hundreds of people of all ages and from all walks of life who give generously of their time, energy and talents. Hours are varied and flexible, and new volunteers receive orientation and training before taking a position. Talented Volunteers work side by side with young people, helping to produce ASTSN events. They work in ASP's theatres on costumes, sets, tech, house staff, audience development, marketing and fund raising, as well as organizing special events and the annual Bowl-a-thon. There are about 625 active volunteers.

ASP's primary sources of support are contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis.

FASB accounting standards codification - In July 2009, the FASB launched FASB Accounting Standards Codification as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards documents are superseded as described in FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. All other accounting literature not included in the Codification is nonauthoritative.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived. Certain prior-year amounts have been reclassified to conform to the current year's presentation.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents - Cash and cash equivalents include highly liquid instruments with maturities when acquired of three months or less at the date of purchase.

Investments - Investments are recorded at fair value. ASP invests in various investments. These investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect the amounts reported on the balance sheet.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the current value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Interest is not charged on outstanding contributions receivable.

Allowance for doubtful accounts - ASP determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions, current economic conditions, subsequent collections and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Subsequent collection - Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Limited use assets - Assets whose use is limited represent cash held in escrow, to be used for construction.

Beneficial interest - The beneficial interest in charitable remainder unitrust is recorded at its actuarial present value.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets - Fixed assets are capitalized at cost. Items with a cost in excess of \$1,000 and an estimated useful life of more than one year are capitalized. Depreciation and amortization are recorded on the straight-line method over the estimated useful lives of the assets as follows:

Condominiums	40 years
Condominium improvements	20 years
Furniture, fixtures and equipment	3 - 10 years
Video equipment	5 years
Computer equipment	3 - 5 years

Net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use by ASP has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Contributions - Contributions are recognized as revenues when received, whether as cash, other assets, or a promise of future payment. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program fees - Program fees consist of membership dues, ticket sales, and theatre subscriptions, which are reported at the estimated net realizable amounts from individuals and organizations.

Contributed services - There are 625 active volunteers who contribute approximately 120,000 hours each year in various ASP programs. The value of these hours of volunteerism is not reflected in these financial statements because they are not performed by professionals in their professional capacity. However, the value of these hours of volunteerism is of tremendous value to ASP.

Functional allocation of expenses - The costs of providing ASP's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs - ASP expenses advertising costs as incurred.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Foundation adopted Accounting Standards Codification (ASC) Section 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Section 820 are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ASP has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2009.

Money market funds, certificate of deposit, bonds and equities - Valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Generally accepted accounting principles permit but do not require measurement of financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. As ASP did not elect to fair value any of the financial instruments under these provisions, the adoption did not have an impact on the financial statements.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Uncertainty in Income Taxes

Effective January 1, 2009, ASP adopted the provision pertaining to uncertain tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent events - Subsequent events have been evaluated through February 22, 2010, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

	2009 Fair Value - Level 1	2008 Fair Value - Level 1
Money market funds	\$ 127,510	
Certificate of deposit	412,000	\$ 500,000
Bonds	699,342	700,000
Equities	<u>499</u>	<u>1,027</u>
	<u>\$ 1,239,351</u>	<u>\$ 1,201,027</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

All contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 5%.

Contributions receivable are due as follows:

2010	\$ 493,907
2011	45,000
2012	25,000
2013	25,000
2014	<u>25,000</u>
	613,907
Less discount to present value	(12,304)
Less allowance for doubtful accounts	<u>(25,000)</u>
	<u>\$ 576,603</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 5 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST

All Stars Project, Inc. is a 50 percent beneficiary of a charitable remainder unitrust held by an independent trustee. The discount rate used in calculating the present value was 5%. The trustee shall pay to the donor, for as long as the donor shall live, 7.5% of the net assets of the trust as valued annually. The present value of the beneficial interest in the charitable remainder unitrust at December 31, 2009 and 2008 is \$184,280 and \$144,592, respectively.

NOTE 6 - FIXED ASSETS

	<u>2009</u>	<u>2008</u>
Condominium	\$ 7,750,000	\$ 7,750,000
Condominium improvements	9,912,952	9,906,149
Furniture, fixtures and equipment	381,259	441,578
Video equipment	65,224	74,996
Computer equipment	<u>170,719</u>	<u>185,900</u>
	18,280,154	18,358,623
Less accumulated depreciation and amortization	<u>(3,065,820)</u>	<u>(2,429,310)</u>
	<u>\$ 15,214,334</u>	<u>\$ 15,929,313</u>

NOTE 7 - CAPITAL LEASE

In December 2002, ASP purchased an office condominium in New York. The purchase was financed by the issuance of New York City Industrial Development Agency Bonds. The bonds were issued in two series: Series A in the amount of \$5,750,000 was secured by a purchase money mortgage for the purchase of the premises; Series B in the amount of \$2,500,000 to be used for the renovation and furnishings, and subordinate to the Series A.

In January 2007, the bonds were refinanced and an additional amount of \$4,230,000 was issued for renovations. The New York City Industrial Development Agency is selling and assigning its leasehold interest in the condominium pursuant to an Installment Sale Agreement and Assignment of Lease to ASP. The balance as of December 31, 2009 and 2008 is \$11,245,000 and \$11,480,000, respectively.

The lease covenants require a debt service ratio of 1.25 to 1; and a minimum cash balance and investments of \$900,000 in 2008 and \$1,000,000 in 2009. In addition, cash plus investments and the current portion of pledges, minus any outstanding line of credit, must be \$1,650,000 for 2008 and \$1,750,000 for 2009.

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ALL STARS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 7 - CAPITAL LEASE (continued)

The bonds are collateralized by the condominium and contributions receivable.

Maturities, amounts and interest rates are as follows:

	<u>Series A Bonds</u>	<u>Series B Bonds</u>
Principal balance	\$ 9,120,000	\$ 2,125,000
Maturity date	12/01/2036	08/01/2023
Interest rate	Variable	8.75%

Variable rates are adjusted weekly. At December 31, 2009, the interest rate was .30%.

Scheduled principal payments for the Series A variable rate bonds are as follows:

2010	\$ 170,000
2011	175,000
2012	185,000
2013	195,000
2014	205,000
Thereafter	<u>8,190,000</u>
	<u>\$ 9,120,000</u>

Scheduled combined payments of principal and interest for the Series B fixed rate bonds are as follows:

2010	\$ 270,938
2011	268,500
2012	270,625
2013	266,875
2014	267,687
Thereafter	<u>2,421,437</u>
Total minimum payments	3,766,062
Less amount representing interest	<u>(1,641,062)</u>
	<u>\$ 2,125,000</u>
Total bonds payable	<u>\$ 11,245,000</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 7 - CAPITAL LEASE (continued)

The Series A Bonds are secured by a letter of credit, which has a rate of 1.25% per annum that expires January 16, 2013. The Series A Bonds mature on December 1, 2036, but are subject to payment in the event the letter of credit is not renewed.

NOTE 8 - OPERATING LEASES

ASP leases office space in Newark, San Francisco and Chicago. The lease for the San Francisco office space expired in 2009 and was extended through 2011. The leases for the office space in Chicago and Newark expire in 2010. Rent expense for the years ended December 31, 2009 and 2008 was \$75,809 and \$183,940, respectively. The outstanding lease obligations are:

2010	\$ 77,568
2011	<u>7,832</u>
	<u>\$ 85,400</u>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2009</u>	<u>2008</u>
Chicago All Stars	\$ 8,346	61,751
Fortunoff scholarships	312	312
New Jersey All Stars	6,324	
New Jersey Flamm Center	1,119,104	\$ 919,315
Philadelphia All Stars	26,770	37,513
Regional Youth/Culture	505	473
Scott Flamm Memorial		7,196
Training in China	10,000	
For periods after December 31	<u>107,697</u>	<u>176,854</u>
Total	<u>\$ 1,279,058</u>	<u>\$ 1,203,414</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Bay Area All Stars	\$	238,118
Chicago All Stars		206,173
New Jersey All Stars		1,053,092
New Jersey Flamm Center		37,321
Philadelphia All Stars		10,743
Regional Youth/Culture		5,740
Scott Flamm Memorial		7,196
Passage of time		<u>69,157</u>
Total	\$	<u>1,627,540</u>

NOTE 10 - CONCENTRATIONS

Financial instruments which potentially subject ASP to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

NOTE 11 - LOAN PAYABLE

In 2008, ASP obtained a \$500,000 loan from JP Morgan Chase Bank. The balance as of December 31, 2009 is \$382,353. The interest rate (Note Rate) is equal to the greater of (a) .5% per annum below the prime rate, or (b) 1% per annum. In the event of default, the interest would be charged at 3% per annum above the Note Rate. The interest rate at December 31, 2009 is 2.75%. The loan is collateralized by a \$412,000 certificate of deposit. Scheduled principal payments are as follows:

2010	\$	117,647
2011		117,647
2012		117,647
2013		<u>29,412</u>
	\$	<u>382,353</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 12 - SPECIAL EVENTS

	<u>Ticket Sales</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Bay Area Benefit	\$ 48,085	\$ 9,272	\$ 38,813
Illinois luncheon	27,800	7,711	20,089
National Gala	368,205	138,387	229,818
NJ DSY dinner	198,895	23,104	175,791
NY DSY luncheon	209,450	38,550	170,900
Theatre gala	<u>20,175</u>	<u>5,163</u>	<u>15,012</u>
Total	<u>\$ 872,610</u>	<u>\$ 222,187</u>	<u>\$ 650,423</u>

NOTE 13 - ALLOCATION OF JOINT COSTS

In 2009, ASP conducted activities that included requests for contributions, as well as program and management and general components. Those activities included direct mail campaigns, special events and telemarketing. The costs of conducting those activities included a total of \$312,412 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Fund raising	\$ 124,984
All Stars Talent Show Network	85,558
Volunteerism and education	15,473
Development School for Youth	60,214
Castillo Theatre	8,514
Youth on Stage	7,573
Management and general	<u>10,096</u>
Total	<u>\$ 312,412</u>

NOTE 14 - BEQUEST

In 2009, ASP received distributions of \$58,750 from the estate of Joel Press. The value of additional distributions has not been determined.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 15 - ENDOWMENT FUND

General

ASP's endowment consists of an individual donor-restricted endowment fund established for the NJ Development School for Youth. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Governors of ASP has interpreted the Uniform Management of Institutional Funds Act (UMIFA) and the relevant sections of the New York State Not-for-Profit Corporations Law (N-PCL) as requiring preservation of the historic dollar value of gifts to donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, and in accordance with the direction of the original donor gift instrument, ASP classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of any subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Any interest, dividends, gains or other revenue generated by donor-restricted endowment funds is used by ASP in a manner consistent with the standard of prudence required by law.

Return Objectives, Strategies Employed and Spending Policy

The objective of ASP is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk securities. Investment income earned in relation to the endowment funds is recorded as unrestricted income, because it is being expended in the same period in which it is being earned.

Funds with Deficiencies

ASP does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2009

The endowment net asset composition of \$100,000 consists of permanently donor-restricted funds. The income is expendable for the NJ Development School for Youth.

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ <u>100,000</u>
Endowment net assets, end of year	\$ <u>100,000</u>