

ALL STARS PROJECT, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2010

ALL STARS PROJECT, INC.

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

A - Statement of Activities

B - Statement of Financial Position

C - Statement of Functional Expenses

D - Statement of Cash Flows

Notes to Financial Statements



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. as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of All Stars Project, Inc.'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 All Stars Project, Inc.'s 2009 financial statements and, in our report dated February 22, 2010, 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, 2010, 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.

Loeb + Troper LLP

March 16, 2011

ALL STARS PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010
(With Summarized Financial Information
for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2010	2010	2010	2009
Revenues, gains (losses) and other support				
Contributions	\$ 3,859,954	\$ 1,580,579	\$	\$ 5,440,533
Memberships dues	108,822			113,870
All Stars ticket sales	17,721			23,186
Theatre ticket sales	79,703			81,004
Theatre subscriptions	3,891			4,050
Special events (Note 12)				
Less direct cost of special events	\$ 1,510,530			
	<u>(268,657)</u>			
Net revenues from special events	1,241,873			650,423
Product sales	1,997			1,816
Interest and dividends	17,306			9,064
Realized and unrealized gain (loss) on investments	2,874			(2,791)
Gain on beneficial interest in charitable remainder unitrust	14,464			39,688
Training and licensing fees				10,000
Other revenues	1,536			1,194
Net assets released from restrictions (Note 9)	<u>1,721,458</u>	<u>(1,721,458)</u>		
Total revenues, gains (losses) and other support	<u>7,071,599</u>	<u>(140,879)</u>		<u>6,241,070</u>
Expenses (Exhibit C)				
Program services				
All Stars Talent Show Network	1,475,015			1,417,588
Development School for Youth	1,207,357			1,134,180
Castillo Theatre	879,319			832,571
Volunteerism and Education	720,384			556,321
Youth Onstage	577,676			556,603
Total program services	<u>4,859,751</u>			<u>4,497,263</u>

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010
(With Summarized Financial Information
for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
Expenses (Exhibit C) (continued)					
Supporting services					
Management and general	\$ 510,181			\$ 510,181	\$ 522,418
Fund raising	1,121,445			1,121,445	956,253
Total supporting services	1,631,626			1,631,626	1,478,671
Total expenses	6,491,377			6,491,377	5,975,934
Change in net assets before loss on disposal of fixed assets	580,222	\$ (140,879)		439,343	265,136
Loss on disposal of fixed assets					(22,087)
Change in net assets (Exhibit D)	580,222	(140,879)		439,343	243,049
Net assets - beginning of year	5,960,244	1,279,058	\$ 100,000	7,339,302	7,096,253
Net assets - end of year (Exhibit B)	\$ 6,540,466	\$ 1,138,179	\$ 100,000	\$ 7,778,645	\$ 7,339,302

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,338,246	\$ 2,194,307
Certificate of deposit	265,000	412,000
Investments (Note 3)	1,965,916	827,351
Contributions receivable (Note 4)	191,217	576,603
Prepaid expenses and security deposit	126,113	85,414
Beneficial interest in charitable remainder unitrust (Note 5)	198,744	184,280
Fixed assets - net (Note 6)	<u>14,575,166</u>	<u>15,214,334</u>
Total assets	<u>\$ 19,660,402</u>	<u>\$ 19,494,289</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 56,620	\$ 46,991
Accrued salaries and related expenses payable	623,195	348,364
Accrued interest payable	103,544	113,874
Deferred revenue	8,692	18,405
Capital lease (Note 7)	10,825,000	11,245,000
Loan payable (Note 11)	<u>264,706</u>	<u>382,353</u>
Total liabilities	<u>11,881,757</u>	<u>12,154,987</u>
Net assets (Exhibit A)		
Unrestricted - operating	2,790,300	1,990,910
Unrestricted - plant	<u>3,750,166</u>	<u>3,969,334</u>
Total unrestricted	6,540,466	5,960,244
Temporarily restricted (Note 9)	1,138,179	1,279,058
Permanently restricted (Note 15)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>7,778,645</u>	<u>7,339,302</u>
Total liabilities and net assets	<u>\$ 19,660,402</u>	<u>\$ 19,494,289</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010
(With Summarized Financial Information
for the Year Ended December 31, 2009)

	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 Onstage	Total				2010	2009
Salaries	\$ 616,787	\$ 642,977	\$ 317,771	\$ 254,720	\$ 307,203	\$ 2,139,458	\$ 237,450	\$ 621,113		\$ 2,998,021	\$ 2,648,438
Payroll taxes and employee benefits	119,149	115,490	59,320	45,354	61,652	400,965	51,380	90,710		543,055	505,550
Total salaries and related expenses	735,936	758,467	377,091	300,074	368,855	2,540,423	288,830	711,823		3,541,076	3,153,988
Grants	13,569		3,690			17,259				17,259	18,527
Professional fees	77,131	61,818	17,400	43,479	29,579	229,407	60,513	62,573		352,493	226,400
Production expense	84,540	46,399	52,437	11,100	7,597	202,073	631	54,855	\$ 52,157	309,716	261,465
Interest	71,373	44,183	81,569	61,177	33,987	292,289	16,994	30,588		339,871	373,777
Credit service and bank charges	3,913	5,375	6,116	2,245	714	18,363	6,802	39,589		64,754	64,246
Insurance	33,958	28,020	15,022	23,642	10,733	111,375	9,856	12,998		134,229	132,266
Telephone	20,136	9,622	5,417	8,712	2,546	46,433	12,875	15,105		74,413	63,588
Database and computer services	7,008	3,343	3,915	3,032	1,673	18,971	6,087	4,386		29,444	34,254
Occupancy	69,675	34,542	36,506	39,332	13,774	193,829	29,966	20,930		244,725	246,649
Training and outreach	22,270	11,969	13,468	12,111	3,980	63,798	4,243	9,966		78,007	87,780
Advertising and design	14,942	14,564	13,431	8,145	2,585	53,667	406	10,189		64,262	54,315
Transportation	34,465	28,731	2,103	23,708	1,183	90,190	989	14,911		106,090	89,164
Equipment rental	10,624	3,670	2,935	3,382	1,427	22,038	7,149	4,917		34,104	33,958
Repairs and maintenance	30,705	18,433	34,296	24,964	13,733	122,131	9,451	13,603		145,185	121,394
Postage and shipping	15,821	5,148	3,623	1,325	883	26,800	1,740	9,722		38,262	41,299
Office expense	15,551	8,254	4,179	6,513	1,923	36,420	9,792	8,963		55,175	61,659
Catering								670	213,800	214,470	189,680
Printing	33,956	17,766	28,351	4,526	5,449	90,048	1,281	15,178		106,507	107,984
Space rental	19,659	3,722	164	3,165	3,584	30,294		422	2,700	33,416	41,703
Depreciation	149,049	93,403	168,357	125,985	71,436	608,230	38,067	64,864		711,161	744,792
Dues, subscriptions and conference fees	7,685	7,110	7,443	11,769	1,596	35,603	2,925	12,877		51,405	39,241
Miscellaneous	3,049	2,818	1,806	1,998	439	10,110	1,584	2,316		14,010	9,992
Total expenses	1,475,015	1,207,357	879,319	720,384	577,676	4,859,751	510,181	1,121,445	268,657	6,760,034	6,198,121
Less direct cost of special events									(268,657)	(268,657)	(222,187)
Total expenses (excluding direct expenses of special events) (Exhibit A)	\$ 1,475,015	\$ 1,207,357	\$ 879,319	\$ 720,384	\$ 577,676	\$ 4,859,751	\$ 510,181	\$ 1,121,445	\$ -	\$ 6,491,377	\$ 5,975,934

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 439,343	\$ 243,049
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated stock	(603,891)	(421,651)
Depreciation	711,161	744,792
Realized and unrealized loss on investments	(2,874)	2,791
Realized loss on disposal of fixed asset		22,087
Gain on beneficial interest in charitable remainder unitrust	(14,464)	(39,688)
Decrease (increase) in assets		
Contributions receivable	385,386	35,970
Prepaid expenses and security deposit	(40,699)	(8,929)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	9,629	(18,649)
Accrued salaries and related expenses payable	274,831	(7,824)
Accrued interest payable	(10,330)	(10,161)
Deferred revenue	(9,713)	5,511
Net cash provided by operating activities	<u>1,138,379</u>	<u>547,298</u>
Cash flows from investing activities		
Decrease in limited use assets		4,081
Purchase of fixed assets	(71,993)	(183,877)
Purchase of investments	(1,834,853)	(829,634)
Proceeds from sale of investments	<u>1,450,053</u>	<u>1,210,170</u>
Net cash provided (used) by investing activities	<u>(456,793)</u>	<u>200,740</u>
Cash flows from financing activities		
Principal payments on loan	(117,647)	(117,647)
Principal payments on capital lease	<u>(420,000)</u>	<u>(235,000)</u>
Net cash used by financing activities	<u>(537,647)</u>	<u>(352,647)</u>
Net increase in cash and cash equivalents	143,939	395,391
Cash and cash equivalents - beginning of year	<u>2,194,307</u>	<u>1,798,916</u>
Cash and cash equivalents - end of year	\$ <u><u>2,338,246</u></u>	\$ <u><u>2,194,307</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ <u><u>350,201</u></u>	\$ <u><u>383,938</u></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, 2010

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.

Volunteerism and Education

The Talented Volunteers program creates opportunities for hundreds of adults to get involved in virtually every aspect of All Stars Project's programs and operations. There are approximately 625 active volunteers.

Operation Conversation: Cops and Kids is a series of dialogues and performance-based workshops that help police and inner-city youth improve and develop their relationship. A total of 1,275 police officers and youth have participated in these workshops.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 1 - NATURE OF ORGANIZATION (continued)

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.

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 of accounting.

Use of estimates - The preparation of financial statements in accordance 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. Estimates also affect 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, 2009, from which the summarized information was derived. Certain prior-year amounts have been reclassified to conform to the current year's presentation. Certificates of deposits were reclassified from investments to cash and cash equivalents in order to conform to the current year's presentation.

Cash and cash equivalents - Cash and cash equivalents include investments in money market funds. These investments are also cash equivalents for purposes of the statement of cash flows, as ASP considers all highly liquid debt instruments purchased with maturities of less than three months when acquired to be cash equivalents.

Certificate of deposit - The certificate of deposit is considered investments for purposes of cash flow reporting.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in ASP's statement of activities and investment portfolio. Investment fees are not netted against interest income.

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 present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted 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.

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.

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

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 is recorded on the straight-line method over the estimated useful lives of the assets as follows:

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

Deferred revenue - Amounts received in advance for special events are deferred to future periods. These advances are expected to be earned in the next fiscal year.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 - ASP expenses advertising costs as incurred.

Fair Value Measurements

Fair Value Measurements and Disclosures (ASC Topic 820) 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 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:

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ALL STARS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

- 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, 2010.

Money market funds, U.S. government 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.

Uncertainty in income taxes - ASP and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2007 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events (ASC Topic 855) have been evaluated through March 16, 2011, which is the date the financial statements were available to be issued.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 3 - INVESTMENTS

	<u>2010 Fair Value - Level 1</u>	<u>2009 Fair Value - Level 1</u>
Money market funds	\$ 562,415	\$ 127,510
U.S. government bonds	1,403,501	699,342
Equities - energy	<u> </u>	<u> 499</u>
	<u>\$ 1,965,916</u>	<u>\$ 827,351</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:

2011	\$ 123,136
2012	25,000
2013	25,000
2014	<u>25,000</u>
	198,136
Less discount to present value	<u>(6,919)</u>
	<u>\$ 191,217</u>

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, 2010 and 2009 is \$198,744 and \$184,280, respectively.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 6 - FIXED ASSETS

	<u>2010</u>	<u>2009</u>
Condominium	\$ 7,750,000	\$ 7,750,000
Condominium improvements	9,944,847	9,912,952
Furniture, fixtures and equipment	405,057	381,259
Video equipment	67,603	65,224
Computer equipment	<u>184,640</u>	<u>170,719</u>
	18,352,147	18,280,154
Less accumulated depreciation	<u>(3,776,981)</u>	<u>(3,065,820)</u>
	<u>\$ 14,575,166</u>	<u>\$ 15,214,334</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 assigned to the Series A bond 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, 2010 and 2009 is \$10,825,000 and \$11,245,000, respectively.

The lease covenants require a debt service ratio of 1.25 to 1; and a minimum cash balance and investments of \$1,000,000 in 2010 and 2009. In addition, cash plus investments and the current portion of pledges, minus any outstanding line of credit, must be \$1,750,000 for 2010 and 2009.

The bonds are collateralized by the condominium and contributions receivable.

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ALL STARS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7 - CAPITAL LEASE (continued)

Maturities, amounts and interest rates are as follows:

	<u>Series A Bonds</u>	<u>Series B Bonds</u>
Principal balance	\$ 8,950,000	\$ 1,875,000
Maturity date	12/01/2036	08/01/2023
Interest rate	Variable	8.75%

Variable rates are adjusted weekly. At December 31, 2010, the interest rate was .37%. The interest expense for the year was \$203,648.

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

2011	\$ 175,000
2012	185,000
2013	195,000
2014	205,000
2015	215,000
Thereafter	<u>7,975,000</u>
	<u>\$ 8,950,000</u>

In December 2010, a bond valued at \$165,000, was redeemed. Therefore, the principal payments were reduced by the redemption. Scheduled combined payments of principal and interest for the Series B fixed rate bonds are as follows:

2011	\$ 164,063
2012	189,063
2013	266,875
2014	267,687
2015	267,625
Thereafter	<u>2,153,812</u>
Total minimum payments	3,309,125
Less amount representing interest	<u>(1,434,125)</u>
	<u>\$ 1,875,000</u>
Total bonds payable	<u>\$ 10,825,000</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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. The fees paid for 2010 were \$116,286.

NOTE 8 - OPERATING LEASES

ASP leases office space in Newark, San Francisco and Chicago. The leases for the office space in Newark and San Francisco expire in 2011. The lease for the office space in Chicago expires in 2012. Rent expense for the years ended December 31, 2010 and 2009 was \$78,550 and \$75,809, respectively. The outstanding lease obligations are:

2011	\$ 83,495
2012	<u>28,280</u>
	\$ <u>111,775</u>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Chicago All Stars		\$ 8,346
Fortunoff scholarships		312
New Jersey All Stars	\$ 5,000	6,324
New Jersey Flamm Center	1,046,668	1,119,104
Philadelphia All Stars	16,349	26,770
Regional Youth/Culture	2,080	505
Training in China		10,000
For periods after December 31	<u>68,082</u>	<u>107,697</u>
Total	<u>\$ 1,138,179</u>	<u>\$ 1,279,058</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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	\$	258,425
Chicago All Stars		297,527
Fortunoff scholarships		312
New Jersey All Stars		1,012,713
New Jersey Flamm Center		76,499
Philadelphia All Stars		10,421
Regional Youth/Culture		15,946
Training in China		10,000
Passage of time		<u>39,615</u>
Total	\$	<u>1,721,458</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.

NOTE 11 - LOAN PAYABLE

In 2008, ASP obtained a \$500,000 loan from JP Morgan Chase Bank. The balance as of December 31, 2010 is \$264,706. 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, 2010 was 2.75%. The loan is collateralized by a \$265,000 certificate of deposit. Scheduled principal payments are as follows:

2011	\$	117,647
2012		117,647
2013		<u>29,412</u>
	\$	<u>264,706</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 12 - SPECIAL EVENTS

	<u>Ticket Sales</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Bay Area Benefit	\$ 70,250	\$ 16,796	\$ 53,454
Illinois luncheon	59,600	7,058	52,542
National Gala	877,355	167,192	710,163
NJ DSY dinner	237,100	23,360	213,740
NY DSY luncheon	161,150	30,562	130,588
Young Wall Street	82,080	19,989	62,091
Theatre gala	<u>22,995</u>	<u>3,700</u>	<u>19,295</u>
Total	<u>\$ 1,510,530</u>	<u>\$ 268,657</u>	<u>\$ 1,241,873</u>

NOTE 13 - ALLOCATION OF JOINT COSTS

In 2010, 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 \$304,648 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

All Stars Talent Show Network	\$ 79,675
Castillo Theatre	7,800
Development School for Youth	63,683
Fund raising	127,340
Management and general	7,629
Volunteerism and education	13,463
Youth on Stage	<u>5,058</u>
Total	<u>\$ 304,648</u>

NOTE 14 - BEQUESTS

In 2010, ASP received distributions of \$437,500 from the estate of Joel Press and \$300,622 from the estate of Helen Grunebaum. The value of additional distributions has not been determined.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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.

Effective September 17, 2010, New York State modified its laws governing the management and investment of charitable gifts by adopting the Uniform Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. ASP is now governed by the NYPMIFA spending policy, which establishes a maximum spending limit of 7%.

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.

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ALL STARS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 15 - ENDOWMENT FUND (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2010

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.

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year		\$ 100,000
Interest	\$ 414	
Appropriation for expenditures	<u>(414)</u>	
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 100,000</u>