

ALL STARS PROJECT, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2011

ALL STARS PROJECT, INC.

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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, 2011, 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 December 31, 2010 financial statements and, in our report dated March 16, 2011, 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, 2011, 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 22, 2012

ALL STARS PROJECT, INC.

EXHIBIT A

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011
(With Summarized Financial Information
for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2011	2011	2011	2010
Revenues, gains and other support				
Contributions	\$ 3,446,780	\$ 2,446,826	\$ 5,893,606	\$ 5,440,533
Membership revenues	118,260		118,260	108,822
All Stars ticket sales	22,434		22,434	17,721
Theatre ticket sales	68,638		68,638	79,703
Theatre subscriptions	2,429		2,429	3,891
Special events	\$ 1,138,865			
Less direct cost of special events	<u>(237,709)</u>			
Net revenues from special events (Note 12)	901,156		901,156	1,241,873
Product sales	728		728	1,997
Interest and dividends	20,408		20,408	17,306
Realized and unrealized gain on investments	277		277	2,874
Gain on beneficial interest in charitable remainder unitrust	7,085		7,085	14,464
Other revenues	866		866	1,536
Net assets released from restrictions (Note 9)	<u>2,378,882</u>	<u>(2,378,882)</u>		
Total revenues, gains and other support	<u>6,967,943</u>	<u>67,944</u>	<u>7,035,887</u>	<u>6,930,720</u>

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ALL STARS PROJECT, INC.

EXHIBIT A

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011
(With Summarized Financial Information
for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2011	2010	
Expenses (Exhibit C)				
Program services				
All Stars Talent Show Network	\$ 1,680,372	\$ 1,680,372	\$ 1,475,015	
Development School for Youth	1,311,064	1,311,064	1,207,357	
Castillo Theatre	891,836	891,836	879,319	
Volunteerism and Education	773,362	773,362	720,384	
Youth on Stage	557,615	557,615	577,676	
Total program services	5,214,249	5,214,249	4,859,751	
Supporting services				
Management and general	566,110	566,110	510,181	
Fund raising	1,214,659	1,214,659	1,121,445	
Total supporting services	1,780,769	1,780,769	1,631,626	
Total expenses	6,995,018	6,995,018	6,491,377	
Change in net assets (Exhibit D)	(27,075)	67,944	439,343	
Net assets - beginning of year	6,540,466	1,138,179	100,000	
Net assets - end of year (Exhibit B)	\$ 6,513,391	\$ 1,206,123	\$ 100,000	\$ 7,778,645

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 2,063,179	\$ 2,338,246
Certificate of deposit	148,000	265,000
Investments (Note 3)	2,347,776	1,965,916
Contributions receivable (Note 4)	597,858	191,217
Prepaid expenses and security deposit	169,953	126,113
Beneficial interest in charitable remainder unitrust (Note 5)	205,829	198,744
Fixed assets - net (Note 6)	<u>13,941,539</u>	<u>14,575,166</u>
Total assets	<u>\$ 19,474,134</u>	<u>\$ 19,660,402</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 188,542	\$ 56,620
Accrued salaries and related expenses payable	558,599	623,195
Deferred revenue	9,657	8,692
Accrued interest payable	100,763	103,544
Capital lease (Note 7)	10,650,000	10,825,000
Loan payable (Note 11)	<u>147,059</u>	<u>264,706</u>
Total liabilities	<u>11,654,620</u>	<u>11,881,757</u>
Net assets (Exhibit A)		
Unrestricted - operating	3,221,852	2,790,300
Unrestricted - plant	<u>3,291,539</u>	<u>3,750,166</u>
Total unrestricted	6,513,391	6,540,466
Temporarily restricted (Note 9)	1,206,123	1,138,179
Permanently restricted (Note 15)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>7,819,514</u>	<u>7,778,645</u>
Total liabilities and net assets	<u>\$ 19,474,134</u>	<u>\$ 19,660,402</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011
(With Summarized Financial Information
for the Year Ended December 31, 2010)

	Program Services									Total	
	All Stars Talent Show Network	Development School for Youth	Castillo Theatre	Volunteerism and Education	Youth on Stage	Total Program Services	Management and General	Fund Raising	Special Events	2011	2010
Salaries	\$ 761,527	\$ 706,382	\$ 333,528	\$ 249,579	\$ 296,598	\$ 2,347,614	\$ 260,230	\$ 689,936		\$ 3,297,780	\$ 2,998,021
Payroll taxes and employee benefits	158,061	134,929	65,160	42,586	64,475	465,211	57,386	112,590		635,187	543,055
Total salaries and related expenses	919,588	841,311	398,688	292,165	361,073	2,812,825	317,616	802,526		3,932,967	3,541,076
Grants	8,932	290	1,500	238		10,960				10,960	17,259
Professional fees	72,970	55,282	18,297	104,451	23,040	274,040	68,316	47,002		389,358	352,493
Production expense	64,815	52,611	47,730	7,635	5,021	177,812	664	47,817	\$ 29,959	256,252	309,716
Interest expense	67,180	41,587	76,777	57,582	31,990	275,116	15,995	28,791		319,902	339,871
Credit service and bank charges	4,288	3,817	8,444	3,691	848	21,088	9,067	41,251		71,406	64,754
Insurance	34,029	28,441	14,655	22,974	10,929	111,028	11,801	13,786		136,615	134,229
Telephone	22,151	11,778	5,041	10,464	2,358	51,792	15,072	13,689		80,553	74,413
Database and computer services	7,654	3,017	4,360	2,640	1,478	19,149	5,215	3,358		27,722	29,444
Occupancy	75,390	34,812	35,605	42,626	13,341	201,774	35,653	24,135		261,562	244,725
Training and outreach	30,971	20,385	13,280	13,076	4,821	82,533	9,663	15,205		107,401	78,007
Advertising and design	20,226	18,129	11,245	7,846	2,013	59,459	2,790	11,920		74,169	64,262
Transportation	34,681	29,018	985	18,761	1,896	85,341	917	15,315		101,573	106,090
Equipment rental	18,663	4,673	3,059	3,175	1,000	30,570	5,635	13,445		49,650	34,104
Repairs and maintenance	30,528	17,960	34,864	24,356	13,411	121,119	9,186	13,343		143,648	145,185
Postage and shipping	13,700	6,653	2,112	1,449	865	24,779	1,728	11,077		37,584	38,262
Office expense	18,268	10,237	3,780	7,204	1,575	41,064	11,510	9,666		62,240	55,175
Catering	725	706	10	4,941		6,382		1,250	194,250	201,882	214,470
Printing	34,006	23,390	31,882	9,556	6,458	105,292	1,929	17,997		125,218	106,507
Space rental	32,399	2,600	84	2,935	250	38,268		140	13,500	51,908	33,416
Depreciation and amortization	150,493	95,068	168,783	125,961	73,065	613,370	39,309	65,133		717,812	711,161
Dues, subscriptions and conference fees	12,533	6,757	8,198	8,228	1,714	37,430	2,152	14,777		54,359	51,405
Miscellaneous	6,182	2,542	2,457	1,408	469	13,058	1,892	3,036		17,986	14,010
Total expenses	1,680,372	1,311,064	891,836	773,362	557,615	5,214,249	566,110	1,214,659	237,709	7,232,727	6,760,034
Less direct cost of special events									(237,709)	(237,709)	(268,657)
Total expenses (excluding direct expenses of special events) (Exhibit A)	\$ 1,680,372	\$ 1,311,064	\$ 891,836	\$ 773,362	\$ 557,615	\$ 5,214,249	\$ 566,110	\$ 1,214,659	\$ -	\$ 6,995,018	\$ 6,491,377

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 40,869	\$ 439,343
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Donated stock	(369,820)	(603,891)
Depreciation and amortization	717,812	711,161
Realized and unrealized gain on investments	(277)	(2,874)
Gain on beneficial interest in charitable remainder unitrust	(7,085)	(14,464)
Decrease (increase) in assets		
Contributions receivable	(406,641)	385,386
Prepaid expenses and security deposit	(43,840)	(40,699)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	131,922	9,629
Accrued salaries and related expenses payable	(64,596)	274,831
Deferred revenue	965	(9,713)
Accrued interest payable	(2,781)	(10,330)
Net cash provided (used) by operating activities	<u>(3,472)</u>	<u>1,138,379</u>
Cash flows from investing activities		
Purchase of fixed assets	(84,185)	(71,993)
Purchase of investments	(3,064,583)	(1,834,853)
Proceeds from sale of investments	3,169,820	1,450,053
Net cash provided (used) by investing activities	<u>21,052</u>	<u>(456,793)</u>
Cash flows from financing activities		
Principal payments on loan	(117,647)	(117,647)
Principal payments on capital lease	(175,000)	(420,000)
Net cash used by financing activities	<u>(292,647)</u>	<u>(537,647)</u>
Net change in cash and cash equivalents	(275,067)	143,939
Cash and cash equivalents - beginning of year	2,338,246	2,194,307
Cash and cash equivalents - end of year	<u>\$ 2,063,179</u>	<u>\$ 2,338,246</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 322,683</u>	<u>\$ 350,201</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, 2011

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.

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 1,000 volunteers involved annually.

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 1,507 police officers and youth have participated in these workshops.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 1 - NATURE OF ORGANIZATION (continued)

Volunteerism and Education (continued)

UX is a university style development institution for all ages. Classes take place at ASP headquarters, corporate boardrooms, backstage at Broadway theaters, in neighborhoods and at schools.

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, 2010, from which the summarized information was derived. Certain prior-year amounts have been reclassified 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 instruments purchased with maturities of less than three months when acquired to be cash equivalents.

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

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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.

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. Management determined that it was unnecessary to provide an allowance in the current year.

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
Leasehold improvements	10 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, 2011

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 - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily or permanently 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 1,000 volunteers who contribute approximately 127,000 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 and Disclosures

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, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements and Disclosures (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, 2011.

Money market funds and U.S. Government bonds - 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 has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2008 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through March 22, 2012, 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, 2011

NOTE 3 - INVESTMENTS

	<u>2011 Fair Value - Level 1</u>	<u>2010 Fair Value - Level 1</u>
Money market funds	\$ 1,197,732	\$ 562,415
U.S. Government bonds	<u>1,150,044</u>	<u>1,403,501</u>
	<u>\$ 2,347,776</u>	<u>\$ 1,965,916</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

All contributions receivable have been recorded at present value. Receivables that are due in more than one year have been discounted to their present value using a discount rate of 5% for those recognized prior to 2011. Contributions receivable made in 2011 have been discounted at a rate of 3%.

Contributions receivable are due as follows:

2012	\$ 391,734
2013	121,500
2014	60,500
2015	<u>35,500</u>
	609,234
Less discount to present value	<u>(11,376)</u>
	<u>\$ 597,858</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, 2011 and 2010 is \$205,829 and \$198,744, respectively.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 6 - FIXED ASSETS

	<u>2011</u>	<u>2010</u>
Condominium	\$ 7,750,000	\$ 7,750,000
Condominium improvements	9,949,703	9,944,847
Leasehold Improvements	2,040	
Furniture, fixtures and equipment	387,721	405,057
Video equipment	89,788	67,603
Computer equipment	249,670	184,640
Construction in progress	<u>7,410</u>	<u> </u>
	18,436,332	18,352,147
Less accumulated depreciation and amortization	<u>(4,494,793)</u>	<u>(3,776,981)</u>
	<u>\$ 13,941,539</u>	<u>\$ 14,575,166</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 sold and assigned its leasehold interest in the condominium to ASP. The balance as of December 31, 2011 and 2010 is \$10,650,000 and \$10,825,000, 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 2011 and 2010. In addition, cash plus investments and the current portion of pledges, minus any outstanding line of credit, must be \$1,750,000 for 2011 and 2010. All lease covenants have been met in the current year.

The bonds are collateralized by the condominium and contributions receivable.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 7 - CAPITAL LEASE (continued)

Maturities, amounts and interest rates are as follows:

	Series A Bonds	Series B Bonds
Principal balance	\$ 8,775,000	\$ 1,875,000
Maturity date	12/01/2036	08/01/2023
Interest rate	Variable	8.75%

The variable rate is set at the market clearing rate and is adjusted weekly. At December 31, 2011, the interest rate was .13%. The interest expense for the year was \$189,293.

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

2012	\$ 185,000
2013	195,000
2014	205,000
2015	215,000
2016	220,000
Thereafter	<u>7,755,000</u>
	<u>\$ 8,775,000</u>

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

2012	\$ 189,063
2013	266,875
2014	267,687
2015	267,625
2016	270,375
Thereafter	<u>1,883,437</u>
Total minimum payments	3,145,062
Less amount representing interest	<u>(1,270,062)</u>
	<u>\$ 1,875,000</u>
Total bonds payable	<u>\$ 10,650,000</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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 2011 were \$114,109. Accumulated amortization on capital leased assets at December 31, 2011 was \$3,875,713.

NOTE 8 - OPERATING LEASES

ASP leases office space in Newark, San Francisco and Chicago. The lease for the office space in Newark expired in 2011. The lease for the office space in Chicago expires in 2012. The lease for the office space in San Francisco expires in 2013. Rent expense for the years ended December 31, 2011 and 2010 was \$97,597 and \$78,550, respectively. The outstanding lease obligations are:

2012	\$	48,275
2013		<u>15,462</u>
	\$	<u>63,737</u>

A lease was signed in 2011 for space in Newark to run for ten years effective the earlier of completion of the leasehold improvements or July 2012. At that point there will be a waiver of payments for the first six months and partial credit for the improvements to the space. The scheduled payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 48,275
2013	177,293
2014	182,787
2015	144,761
2016	149,006
Thereafter	<u>1,314,230</u>
Total	\$ <u>2,016,352</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
New Jersey All Stars	\$ 227,481	\$ 5,000
New Jersey Flamm Center	766,503	1,046,668
Philadelphia All Stars	5,340	16,349
Regional Youth/Culture	675	2,080
For periods after December 31	<u>206,124</u>	<u>68,082</u>
Total	<u>\$ 1,206,123</u>	<u>\$ 1,138,179</u>

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	\$ 292,797
Chicago All Stars	401,749
New Jersey All Stars	1,354,087
New Jersey Flamm Center	307,298
Philadelphia All Stars	11,009
Regional Youth/Culture	<u>11,942</u>
Total	<u>\$ 2,378,882</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.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 11 - LOAN PAYABLE

In 2008, ASP obtained a \$500,000 loan from JP Morgan Chase Bank. The balance as of December 31, 2011 is \$147,059. 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, 2011 was 2.75%. The loan is collateralized by a \$148,000 certificate of deposit. Scheduled principal payments are as follows:

2012	\$ 117,647
2013	<u>29,412</u>
	\$ <u>147,059</u>

NOTE 12 - SPECIAL EVENTS

	<u>Ticket Sales</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Bay area benefit	\$ 59,825	\$ 21,554	\$ 38,271
Illinois luncheon	113,250	6,187	107,063
National gala	502,110	134,126	367,984
NJ DSY dinner	227,090	27,483	199,607
NY DSY luncheon	177,750	29,359	148,391
30th anniversary	32,440	14,800	17,640
Theatre gala	<u>26,400</u>	<u>4,200</u>	<u>22,200</u>
Total	\$ <u>1,138,865</u>	\$ <u>237,709</u>	\$ <u>901,156</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 13 - ALLOCATION OF JOINT COSTS

In 2011, 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 \$288,196 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	\$	71,980
Castillo Theatre		7,821
Development School for Youth		63,845
Fund raising		122,719
Management and general		7,140
Volunteerism and education		8,418
Youth on Stage		4,674
Cops and Kids		<u>1,599</u>
Total	\$	<u>288,196</u>

NOTE 14 - BEQUESTS

In 2011, ASP received distributions of \$46,250 from the estate of Joel Press and \$378,490 from the estate of Helen Grunebaum. The value of additional distributions has not been determined.

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.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 15 - ENDOWMENT FUND (continued)

Interpretation of Relevant Law

The Board of Directors of ASP has adopted the New York 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% of the average of its previous five years' balance. As a result of this interpretation, ASP classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The objective of ASP is to generate income with minimal risk while maintaining 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, 2011

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>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year		\$ 100,000
Interest	\$ 280	
Appropriation for expenditures	<u>(280)</u>	
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>100,000</u>