

ALL STARS PROJECT, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2013

ALL STARS PROJECT, INC.

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Independent Auditor's Report

**Board of Directors
All Stars Project, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of All Stars Project, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited All Stars Project, Inc.'s December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

April 11, 2014

ALL STARS PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 2,426,187	\$ 2,523,211
Investments (Note 3)	2,206,161	1,768,536
Contributions receivable (Note 4)	264,937	321,258
Prepaid expenses and security deposit	156,208	155,246
Beneficial interest in charitable remainder unitrust (Note 5)	242,736	223,357
Fixed assets - net (Note 6)	13,824,310	14,469,714
Total assets	\$ 19,120,539	\$ 19,461,322
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 70,400	\$ 75,057
Construction payable		425,241
Accrued salaries and related expenses payable	743,566	601,464
Deferred revenue	6,774	11,216
Accrued interest payable	37,545	42,192
Rent payable	96,648	61,988
Mortgage payable (Note 7)	10,699,838	10,720,000
Loans payable (Note 11)	720,000	800,000
Total liabilities	12,374,771	12,737,158
Net assets (Exhibit B)		
Unrestricted		
Operating	2,683,449	3,069,053
Plant	3,124,472	3,324,473
Total unrestricted	5,807,921	6,393,526
Temporarily restricted (Note 9)	542,834	215,638
Permanently restricted (Note 14)	395,013	115,000
Total net assets	6,745,768	6,724,164
Total liabilities and net assets	\$ 19,120,539	\$ 19,461,322

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALL STARS PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013
(With Summarized Financial Information
for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2013	2013	2013	2012
Revenues, gains and other support	\$ 3,077,560	\$ 3,605,787	\$ 280,013	\$ 5,413,287
Contributions	88,665			121,040
Membership dues	14,589			25,438
All Stars ticket sales	78,268			118,011
Theatre ticket sales	3,466			3,168
Theatre subscriptions	246,769			164,925
In-kind donations (Note 15)				
Special events				1,704,144
Less direct cost of special events				(309,459)
Net revenues from special events (Note 12)	1,394,685			1,288,322
Product sales	519			1,383
Interest and dividends	3,638	455		6,159
Realized and unrealized loss on investments	(12,850)			(151)
Gain on beneficial interest in charitable remainder unitrust	19,379			17,528
Other revenues	1,882			2,419
Net assets released from restrictions (Note 9)	3,279,046	(3,279,046)		
Total revenues, gains and other support	8,195,616	327,196	280,013	7,161,529

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ALL STARS PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013
(With Summarized Financial Information
for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2013	2012	
Expenses (Exhibit C)				
Program services				
All Stars Talent Show Network	\$ 2,106,903	\$ 2,106,903	\$ 1,815,117	\$ 3,922,020
Development School for Youth	1,759,086	1,759,086	1,501,175	3,259,347
Castillo Theatre	947,992	947,992	938,882	1,886,874
Volunteering and Education	883,054	883,054	612,771	1,495,825
Youth on Stage	610,478	610,478	587,957	1,198,435
Operation Conversation: Cops and Kids	184,726	184,726	245,819	430,545
Total program services	6,492,239	6,492,239	5,701,721	12,193,960
Supporting services				
Management and general	831,512	831,512	685,520	1,517,032
Fund raising	1,457,470	1,457,470	1,266,487	2,723,957
Total supporting services	2,288,982	2,288,982	1,952,007	4,240,989
Total expenses	8,781,221	8,781,221	7,653,728	16,434,949
Change in net assets before other changes	(585,605)	\$ 327,196	\$ 280,013	\$ 631,604
Loss on disposal of fixed asset				(3,810)
Loss on unamortized mortgage costs				(599,341)
Change in net assets (Exhibit D)	(585,605)	327,196	280,013	(1,095,350)
Net assets - beginning of year	6,393,526	215,638	115,000	6,724,164
Net assets - end of year (Exhibit A)	\$ 5,807,921	\$ 542,834	\$ 395,013	\$ 6,745,768

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013
(With Summarized Financial Information
for the Year Ended December 31, 2012)

	Program Services									Direct Costs of Special Events	Total	
	All Stars Talent Show Network	Development School for Youth	Castillo Theatre	Volunteerism and Education	Youth on Stage	Operation Conversation: Cops & Kids	Total Program Services	Management and General	Fund Raising		2013	2012
Salaries	\$ 931,025	\$ 907,761	\$ 369,250	\$ 321,456	\$ 327,521	\$ 114,031	\$ 2,971,044	\$ 305,698	\$ 804,043	\$ 4,080,785	\$ 3,679,942	
Payroll taxes and employee benefits	191,708	189,217	77,939	55,545	81,223	22,813	618,445	63,083	143,743	825,271	723,806	
Total salaries and related expenses	1,122,733	1,096,978	447,189	377,001	408,744	136,844	3,589,489	368,781	947,786	4,906,056	4,403,748	
Grants	28,077	354	458	23	35	115	29,062			29,062	12,441	
Professional fees	67,698	61,966	15,092	30,942	12,790	9,621	198,109	65,099	56,282	319,490	418,991	
Production	73,467	51,905	44,162	9,335	5,636	1,698	186,203	1,588	53,570	\$ 47,075	288,436	
Interest	97,815	61,719	105,613	82,361	44,007		391,515	23,827	42,741	458,083	314,541	
Credit service and bank charges								59,840		59,840	73,841	
Insurance	42,193	38,006	17,007	27,299	8,410		132,915	17,975	18,326	169,216	153,899	
Telephone	20,413	10,711	4,491	9,726	2,149	934	48,424	13,768	14,201	76,393	76,523	
Database and computer services	9,881	5,738	2,767	3,761	1,015	1,010	24,172	8,273	3,647	36,092	37,585	
Occupancy	127,547	86,635	32,051	75,728	11,915	468	334,344	70,906	23,139	428,389	323,185	
Training and outreach	35,284	29,139	8,400	10,664	5,035	1,467	89,989	7,581	18,266	115,836	85,986	
Advertising and design	69,179	65,986	21,132	31,736	10,797	569	199,399	63,270	50,599	313,268	72,341	
Transportation	40,269	30,380	2,933	6,751	3,659	24,527	108,519	10,901	16,651	136,071	126,692	
Equipment rental	17,619	4,893	3,952	2,738	905	888	30,995	5,643	5,836	42,474	72,453	
Repairs and maintenance	32,463	19,768	31,078	24,834	13,317	702	122,162	10,180	15,597	147,939	133,765	
Postage and shipping	14,613	6,863	1,757	1,297	1,081	387	25,998	1,244	12,259	39,501	38,380	
Office	23,757	11,403	4,524	6,253	1,809	2,643	50,389	13,206	10,567	74,162	74,926	
Catering	4,692	3,648	277	2,892	277		11,786	1,731	43,118	177,863	234,498	
Printing	38,810	17,546	26,451	5,607	2,994	1,557	92,965	5,768	25,090	123,823	123,383	
Space rental	22,772	1,257	40	3,877	80		28,026		75	84,521	112,622	
Depreciation and amortization	192,889	137,892	167,856	154,148	72,814		725,599	69,223	66,738	861,560	739,711	
Dues, subscriptions and conference fees	21,029	12,396	9,541	15,000	2,180	1,037	61,183	8,352	30,219	99,754	66,192	
Miscellaneous	3,703	3,903	1,221	1,081	829	259	10,996	4,356	2,763	18,115	20,599	
Total expenses	2,106,903	1,759,086	947,992	883,054	610,478	184,726	6,492,239	831,512	1,457,470	309,459	9,090,680	
Less direct cost of special events										(309,459)	(299,832)	
Total expenses (excluding direct expenses of special events) (Exhibit A)	\$ 2,106,903	\$ 1,759,086	\$ 947,992	\$ 883,054	\$ 610,478	\$ 184,726	\$ 6,492,239	\$ 831,512	\$ 1,457,470	\$ -	\$ 8,781,221	
											\$ 7,653,728	

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 21,604	\$ (1,095,350)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated stock	(439,661)	(102,012)
Depreciation and amortization	861,560	739,711
Realized and unrealized loss on investments	12,850	151
Permanently restricted contributions	(280,013)	(15,000)
Loss on unamortized mortgage costs		599,341
Loss on disposal of fixed asset		3,810
Gain on beneficial interest in charitable remainder unitrust	(19,379)	(17,528)
Decrease (increase) in assets		
Contributions receivable	56,321	276,600
Prepaid expenses and security deposit	(962)	14,707
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,657)	(113,485)
Accrued salaries and related expenses payable	142,102	42,865
Deferred revenue	(4,442)	1,559
Accrued interest payable	(4,647)	(58,571)
Rent payable	34,660	61,988
Net cash provided by operating activities	<u>375,336</u>	<u>338,786</u>
Cash flows from investing activities		
Purchase of fixed assets	(641,397)	(1,445,796)
Purchase of investments	(1,568,906)	(1,584,877)
Proceeds from sale of investments	1,558,092	2,265,978
Proceeds from sale of certificate of deposit		148,000
Net cash used by investing activities	<u>(652,211)</u>	<u>(616,695)</u>
Cash flows from financing activities		
Proceeds from loan payable		800,000
Principal payments on loans payable	(80,000)	(147,059)
Proceeds from mortgage payable		10,720,000
Principal payments on mortgage payable	(20,162)	
Principal payments on capital lease		(10,650,000)
Proceeds from permanently restricted contributions	280,013	15,000
Net cash provided by financing activities	<u>179,851</u>	<u>737,941</u>
Net change in cash and cash equivalents	(97,024)	460,032
Cash and cash equivalents - beginning of year	<u>2,523,211</u>	<u>2,063,179</u>
Cash and cash equivalents - end of year	<u>\$ 2,426,187</u>	<u>\$ 2,523,211</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 462,730</u>	<u>\$ 373,112</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, 2013

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, Bay Area, CA, and Dallas, TX.

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 and 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, NY, Newark, NJ, Chicago, IL, and the Bay Area, CA.

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 1,500 volunteers involved annually.

University X (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.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 1 - NATURE OF ORGANIZATION (continued)

Operation Conversation: Cops and Kids

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 2,029 police officers and youth have participated in these workshops.

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 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, 2012, from which the summarized information was derived.

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.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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 financial statements.

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 and leasehold improvements are capitalized at cost. Items with a cost in excess of \$1,000 and an estimated useful life of greater than one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is shorter, 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

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 approximately 1,500 volunteers who contribute approximately 234,000 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.

Prior-year program services - For 2012, \$245,819 of expenses previously reflected as Volunteerism and Education was reallocated to Operation Conversation: Cops and Kids for greater clarity and comparability to 2013.

Advertising - Advertising costs are expensed as incurred.

Grants - Grants are recorded as an expense in the year awarded.

Operating leases - Operating leases are straight-lined over the term of the lease. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair Value Measurements 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:

- 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 methodologies used for assets measured at fair value. There has been no change in the methodologies used at December 31, 2013 as compared to those used at December 31, 2012.

Common stock, 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.

Mutual funds - Mutual funds are valued at the net asset value (NAV) of shares held by ASP at the end of the year.

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

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through April 11, 2014, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

	2013 Fair Value - Level 1	2012 Fair Value - Level 1
	<u> </u>	<u> </u>
Common stock	\$ 1,149	\$ 1,040
Money market funds	571,568	566,215
U.S. Government bonds	1,558,120	1,201,281
Mutual funds - global	<u>75,324</u>	<u> </u>
	<u>\$ 2,206,161</u>	<u>\$ 1,768,536</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 3%.

Contributions receivable are due as follows:

2014	\$ 230,471
2015	<u>35,500</u>
	265,971
Less discount to present value	<u>(1,034)</u>
	<u>\$ 264,937</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 5 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST

ASP 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, 2013 and 2012 is \$242,736 and \$223,357, respectively.

NOTE 6 - FIXED ASSETS

	<u>2013</u>	<u>2012</u>
Condominium	\$ 7,750,000	\$ 7,750,000
Condominium improvements	9,753,056	9,716,423
Leasehold improvements	1,336,283	2,040
Furniture, fixtures and equipment	429,931	425,089
Video equipment	89,788	89,788
Computer equipment	310,412	279,701
Construction in progress	<u> </u>	<u>1,190,273</u>
	19,669,470	19,453,314
Less accumulated depreciation and amortization	<u>(5,845,160)</u>	<u>(4,983,600)</u>
	<u>\$ 13,824,310</u>	<u>\$ 14,469,714</u>

NOTE 7 - DEBT FINANCING

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.

In November 2012, ASP refinanced the bonds with a tax-exempt mortgage loan payable from First Republic Bank through BuildNYC in the amount of \$10,720,000 at an interest rate of 3.95%. The loan matures in November 2038. The balance as of December 31, 2013 was \$10,699,838.

The loan covenants required a debt service ratio of 1.20 to 1. In addition, cash plus investments and the current portion of pledges, minus any outstanding line of credit, must be \$1,750,000 starting in 2013.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 7 - DEBT FINANCING (continued)

The loan was collateralized by the condominium and contributions receivable.

Scheduled principal payments for the mortgage payable are as follows:

2014	\$	255,706
2015		266,137
2016		275,847
2017		288,245
2018		300,004
Thereafter		<u>9,313,899</u>
	\$	<u>10,699,838</u>

NOTE 8 - OPERATING LEASES

ASP leases office space in Newark, San Francisco and Chicago. The lease for the office space in Newark expires in 2023. The lease for the office space in Chicago expires in 2014. The lease for the office space in San Francisco expires in 2015. Rent expense for the years ended December 31, 2013 and 2012 was \$242,832 and \$158,534, respectively. The outstanding lease obligations are:

<u>Year</u>	<u>Amount</u>
2014	\$ 241,550
2015	167,016
2016	148,827
2017	153,153
2018	180,067
Thereafter	<u>987,331</u>
Total	\$ <u>1,877,944</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Operation Conversation: Cops and Kids	\$ 27,274	
All Stars Project of Bridgeport	385,139	
Regional Youth/Culture	10,000	\$ 2,400
For periods after December 31	<u>120,421</u>	<u>213,238</u>
Total	<u>\$ 542,834</u>	<u>\$ 215,638</u>

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

Operation Conversation: Cops and Kids	\$ 184,726
All Stars Project of the San Francisco Bay Area	401,852
All Stars Project of Chicago	492,588
All Stars Project of New Jersey	1,683,960
All Stars Project of Dallas	360,102
All Stars Project of Bridgeport	36,086
Regional Youth/Culture	26,460
Passage of time	<u>93,272</u>
Total	<u>\$ 3,279,046</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, 2013

NOTE 11 - LOANS PAYABLE

In 2012, two loans were obtained from First Republic Bank, one for \$300,000 and the other for \$500,000. Both loans mature in November 2017, at which time a lump-sum payment of \$152,500 will be due for the \$300,000 loan and a lump-sum payment of \$254,166 will be due for the \$500,000 loan. The interest rates on both loans are prime plus .5%. The interest rate at December 31, 2013 was 3.75%. The balance as of December 31, 2013 was \$720,000. Scheduled principal payments are as follows:

2014	\$	80,000
2015		80,000
2016		80,000
2017		<u>480,000</u>
	\$	<u>720,000</u>

NOTE 12 - SPECIAL EVENTS

	<u>Ticket Sales</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Bay Area benefit	\$ 105,800	\$ 23,045	\$ 82,755
10 th Anniversary Dinner	115,150	6,673	108,477
Chicago luncheon	214,434	18,445	195,989
National gala	485,965	183,113	302,852
NJ DSY dinner	464,800	29,370	435,430
NY DSY luncheon	288,750	45,882	242,868
Theatre gala	<u>29,245</u>	<u>2,931</u>	<u>26,314</u>
Total	<u>\$ 1,704,144</u>	<u>\$ 309,459</u>	<u>\$ 1,394,685</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 13 - ALLOCATION OF JOINT COSTS

In 2013, 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 \$198,426 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Program services	
All Stars Talent Show Network	\$ 39,244
Castillo Theatre	2,846
Development School for Youth	53,006
Volunteerism and Education	1,687
Youth on Stage	604
Operation Conversation: Cops and Kids	<u>325</u>
Total program services	97,712
Supporting services	
Fund raising	93,013
Management and general	<u>7,701</u>
Total	\$ <u>198,426</u>

NOTE 14 - ENDOWMENT FUND

General

ASP's endowment consists of a donor-restricted endowment fund established for the NJ Development School for Youth and a donor-restricted endowment for operations. 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, 2013

NOTE 14 - 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 standard maximum prudent 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 maintain the principal endowment funds at the original amount designated by the donor while generating income for ASP programs. The investment policy to achieve this objective is to invest in various investment securities and interest-bearing accounts. Interest earned in relation to the endowment funds is recorded as restricted until appropriated.

Funds with Deficiencies

ASP does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

The endowment net asset composition of \$395,013 consists of permanently donor-restricted funds. The income on the \$100,000 is expendable for the NJ Development School for Youth. The income on the \$295,013 is expendable for general operating purposes. During 2013, interest earned on the funds were \$455.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year		\$ 115,000
Contributions		280,013
Interest held for operations	\$ 455	
Endowment net assets, end of year	<u>\$ 455</u>	<u>\$ 395,013</u>

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ALL STARS PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2013****NOTE 15 - IN-KIND DONATIONS**

During 2013, ASP received various in-kind services with a value of \$246,769, including a branding video, web hosting, and 75 outdoor lamp post banners.