

**ALL STARS PROJECT, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**DECEMBER 31, 2014**

**ALL STARS PROJECT, INC.**

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LOEB & TROPER LLP

## **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, 2014, 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, 2014, 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, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

April 8, 2015

## ALL STARS PROJECT, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,981,028	\$ 2,426,187
Investments (Note 3)	3,005,211	2,206,161
Contributions receivable (Note 4)	725,712	264,937
Prepaid expenses and other assets	119,447	156,208
Beneficial interest in charitable remainder unitrust (Note 5)	265,385	242,736
Fixed assets - net (Note 6)	<u>12,985,290</u>	<u>13,824,310</u>
Total assets	<u>\$ 19,082,073</u>	<u>\$ 19,120,539</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 66,107	\$ 70,400
Accrued salaries and related expenses payable	742,306	743,566
Deferred revenue	7,407	6,774
Accrued interest payable	37,588	37,545
Rent payable	96,975	96,648
Mortgage payable (Note 7)	10,443,017	10,699,838
Loans payable (Note 11)	<u>640,000</u>	<u>720,000</u>
Total liabilities	<u>12,033,400</u>	<u>12,374,771</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	2,539,931	2,683,449
Plant	<u>2,542,273</u>	<u>3,124,472</u>
Total unrestricted	5,082,204	5,807,921
Temporarily restricted (Note 9)	1,302,514	542,834
Permanently restricted (Note 14)	<u>663,955</u>	<u>395,013</u>
Total net assets	<u>7,048,673</u>	<u>6,745,768</u>
Total liabilities and net assets	<u>\$ 19,082,073</u>	<u>\$ 19,120,539</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALL STARS PROJECT, INC.

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014  
(With Summarized Financial Information  
for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
				2014 2013
Revenues, gains (losses) and other support				
Contributions	\$ 2,881,106	\$ 4,561,760	\$ 268,942	\$ 7,711,808 \$ 6,963,360
Memberships dues	120,073			120,073 88,665
All Stars ticket sales	20,442			20,442 14,589
Theatre ticket sales	77,665			77,665 78,268
Theatre subscriptions	1,856			1,856 3,466
In-kind donations (Note 15)	59,961			59,961 246,769
Special events	\$ 1,596,893			
Less direct cost of special events	<u>(328,255)</u>			
Net revenues from special events (Note 12)	1,268,638			1,268,638 1,394,685
Product sales	574			574 519
Interest and dividends	41,537	23,009		64,546 4,093
Realized and unrealized loss on investments	(22,108)			(22,108) (12,850)
Gain on beneficial interest in charitable remainder unitrust	22,649			22,649 19,379
Other revenues	7,012			7,012 1,882
Net assets released from restrictions (Note 9)	<u>3,825,089</u>	<u>(3,825,089)</u>		
Total revenues, gains (losses) and other support	<u>8,304,494</u>	<u>759,680</u>	<u>268,942</u>	<u>9,333,116 8,802,825</u>

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ALL STARS PROJECT, INC.

EXHIBIT B  
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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014  
(With Summarized Financial Information  
for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
				2014 2013
Expenses (Exhibit C)				
Program services				
All Stars Talent Show Network	\$ 2,370,396			\$ 2,370,396 \$ 2,106,903
Development School for Youth	1,753,870			1,753,870 1,759,086
Castillo Theatre	920,840			920,840 947,992
Volunteerism and Education	906,194			906,194 883,054
Youth on Stage	494,710			494,710 610,478
Operation Conversation: Cops and Kids	297,942			297,942 184,726
Total program services	6,743,952			6,743,952 6,492,239
Supporting services				
Management and general	812,623			812,623 831,512
Fund raising	1,473,636			1,473,636 1,457,470
Total supporting services	2,286,259			2,286,259 2,288,982
Total expenses	9,030,211			9,030,211 8,781,221
Change in net assets (Exhibit D)	(725,717) \$	759,680 \$	268,942 \$	302,905 21,604
Net assets - beginning of year	5,807,921	542,834	395,013	6,745,768 6,724,164
Net assets - end of year (Exhibit A)	\$ 5,082,204 \$	1,302,514 \$	663,955 \$	7,048,673 \$ 6,745,768

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## ALL STARS PROJECT, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014  
(With Summarized Financial Information  
for the Year Ended December 31, 2013)

	Program Services							Management and General	Fund Raising	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				2014	2013
Salaries	\$ 1,119,599	\$ 921,910	\$ 358,023	\$ 341,093	\$ 241,189	\$ 122,532	\$ 3,104,346	\$ 325,136	\$ 848,488		\$ 4,277,970	\$ 4,080,785
Payroll taxes and employee benefits	230,326	193,754	74,612	64,242	59,257	25,229	647,420	69,237	157,819		874,476	825,271
Total salaries and related expenses	1,349,925	1,115,664	432,635	405,335	300,446	147,761	3,751,766	394,373	1,006,307		5,152,446	4,906,056
Grants	28,450	140	25	88		25	28,728				28,728	29,062
Professional fees	84,146	66,807	14,564	25,048	13,371	96,645	300,581	69,776	58,059		428,416	319,490
Production	75,928	55,211	38,863	8,307	1,855	7,005	187,169	926	53,892	\$ 52,778	294,765	288,436
Interest	95,673	59,456	103,829	80,283	43,262		382,503	21,956	44,562		449,021	458,083
Credit service and bank charges								63,081			63,081	59,840
Insurance	53,062	41,114	17,738	32,046	9,118		153,078	15,966	16,993		186,037	169,216
Telephone	19,706	7,779	3,176	8,147	1,626	596	41,030	13,577	13,474		68,081	76,393
Database and computer services	16,975	8,167	3,032	6,225	1,451	1,343	37,193	14,520	7,857		59,570	36,092
Occupancy	135,684	90,924	28,363	79,127	11,890	526	346,514	77,800	25,651		449,965	428,389
Training and outreach	41,564	28,503	9,736	17,374	6,573	15,195	118,945	5,737	25,519		150,201	115,836
Advertising and design	31,701	22,773	16,590	6,612	2,195	1,498	81,369	6,646	22,306		110,321	313,268
Transportation	46,478	26,483	2,697	10,137	3,135	17,484	106,414	4,313	23,762		134,489	136,071
Equipment rental	14,151	3,104	2,209	2,244	852	1,172	23,732	6,414	4,124		34,270	42,474
Repairs and maintenance	36,844	22,568	37,901	29,020	15,562	518	142,413	11,625	15,283		169,321	147,939
Postage and shipping	12,509	7,199	1,118	1,362	547	833	23,568	2,251	12,233		38,052	39,501
Office	21,375	10,433	4,857	5,890	2,094	2,721	47,370	14,104	11,851		73,325	74,162
Catering	5,242	2,947	630	1,611	630	360	11,420	810	3,790	211,770	227,790	234,498
Printing	46,637	26,913	20,889	7,532	3,927	2,786	108,684	3,035	27,474		139,193	123,823
Space rental	28,062	2,298	13	6,639	11		37,023	239	158	63,550	100,970	112,622
Depreciation and amortization	194,202	138,065	168,335	153,449	73,050		727,101	69,343	66,849		863,293	861,560
Dues, subscriptions and conference fees	26,569	14,138	11,064	18,731	2,493	796	73,791	12,813	29,767		116,371	99,754
Miscellaneous	5,513	3,184	2,576	987	622	678	13,560	3,318	3,725	157	20,760	18,115
Total expenses	2,370,396	1,753,870	920,840	906,194	494,710	297,942	6,743,952	812,623	1,473,636	328,255	9,358,466	9,090,680
Less direct cost of special events										(328,255)	(328,255)	(309,459)
Total expenses (excluding direct expenses of special events) (Exhibit B)	\$ 2,370,396	\$ 1,753,870	\$ 920,840	\$ 906,194	\$ 494,710	\$ 297,942	\$ 6,743,952	\$ 812,623	\$ 1,473,636	\$ -	\$ 9,030,211	\$ 8,781,221

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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 302,905	\$ 21,604
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Donated investments	(1,073,626)	(439,661)
Depreciation and amortization	863,293	861,560
Realized and unrealized loss on investments	22,108	12,850
Permanently restricted contributions	(268,942)	(280,013)
Gain on beneficial interest in charitable remainder unitrust	(22,649)	(19,379)
Decrease (increase) in assets		
Contributions receivable	(460,775)	56,321
Prepaid expenses and other assets	36,761	(962)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,293)	(4,657)
Accrued salaries and related expenses payable	(1,260)	142,102
Deferred revenue	633	(4,442)
Accrued interest payable	43	(4,647)
Rent payable	327	34,660
Net cash provided (used) by operating activities	<u>(605,475)</u>	<u>375,336</u>
Cash flows from investing activities		
Purchase of fixed assets	(24,273)	(641,397)
Purchase of investments	(770,192)	(1,568,906)
Proceeds from sale of investments	1,022,660	1,558,092
Net cash provided (used) by investing activities	<u>228,195</u>	<u>(652,211)</u>
Cash flows from financing activities		
Principal payments on loans payable	(80,000)	(80,000)
Principal payments on mortgage payable	(256,821)	(20,162)
Proceeds from permanently restricted contributions	268,942	280,013
Net cash provided (used) by financing activities	<u>(67,879)</u>	<u>179,851</u>
Net change in cash and cash equivalents	(445,159)	(97,024)
Cash and cash equivalents - beginning of year	2,426,187	2,523,211
Cash and cash equivalents - end of year	<u>\$ 1,981,028</u>	<u>\$ 2,426,187</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 448,978</u>	<u>\$ 462,730</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, 2014**

**NOTE 1 - NATURE OF ORGANIZATION**

All Stars Project, Inc. (ASP) is a not-for-profit, 501(c)(3) organization that transforms the lives of youth and poor communities using the developmental power of performance, in partnership with caring adults. 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.

**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, Dallas, TX and Bridgeport, CT.

**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 3,500 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, 2014****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 1,982 police officers and youth participated in these workshops in 2014.

**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, 2013, 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 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, 2014

## 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 receivable, 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 in charitable remainder trust** - 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 per unit 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, 2014**

**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.

***Membership, ticket sales and theatre subscriptions*** - Membership dues, ticket sales, and theatre subscriptions are reported at the estimated net realizable amounts from individuals and organizations.

***Contributed services*** - There are approximately 3,500 volunteers who contribute approximately 252,000 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.

***In-kind donations*** - ASP records donated services based on prevailing rates for said services (see Note 15).

***Advertising*** - Advertising costs are expensed as incurred.

***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, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Grant expense** - Grants are recorded when awarded and are for a period not to extend beyond one year.

***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, 2014 as compared to those used at December 31, 2013.

***Common stock, money market funds and corporate 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, 2014

## 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, 2011 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through April 8, 2015, which is the date the financial statements were available to be issued.

## NOTE 3 - INVESTMENTS

	2014 Fair Value - Level 1	2013 Fair Value - Level 1
Common stock	\$ 553	\$ 1,149
Money market funds	1,189,783	571,568
Corporate bonds	1,005,480	1,558,120
Mutual funds - equity	<u>809,395</u>	<u>75,324</u>
	<u>\$ 3,005,211</u>	<u>\$ 2,206,161</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:

2015	\$ 322,219
2016	175,000
2017	175,000
2018	<u>75,000</u>
	747,219
Less discount to present value	<u>(21,507)</u>
	<u>\$ 725,712</u>

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**ALL STARS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**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, 2014 and 2013 is \$265,385 and \$242,736, respectively.

**NOTE 6 - FIXED ASSETS**

	<u>2014</u>	<u>2013</u>
Condominium	\$ 7,750,000	\$ 7,750,000
Condominium improvements	9,762,356	9,753,056
Leasehold improvements	1,338,033	1,336,283
Furniture, fixtures and equipment	437,174	429,931
Video equipment	89,788	89,788
Computer equipment	<u>316,392</u>	<u>310,412</u>
	19,693,743	19,669,470
Less accumulated depreciation and amortization	<u>(6,708,453)</u>	<u>(5,845,160)</u>
	<u>\$ 12,985,290</u>	<u>\$ 13,824,310</u>

**NOTE 7 - MORTGAGE PAYABLE**

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 November 2038. The balance as of December 31, 2014 was \$10,443,017.

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 at least \$1,750,000 starting in 2013. As of December 31, 2014 and 2013, ASP was in compliance with these covenants.

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**ALL STARS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 - MORTGAGE PAYABLE (continued)**

The mortgage is collateralized by the condominium and contributions receivable.

Scheduled principal payments for the mortgage payable are as follows:

2015	\$ 266,137
2016	275,847
2017	288,245
2018	300,004
2019	312,241
Thereafter	<u>9,000,543</u>
	<u>\$ 10,443,017</u>

**NOTE 8 - OPERATING LEASES**

ASP leases office space in Newark, San Francisco, Chicago and Bridgeport. The lease for the office space in Newark expires in 2023. The lease for the office spaces in San Francisco, Chicago and Bridgeport expire in 2015. Rent expense for the years ended December 31, 2014 and 2013 was \$253,061 and \$242,832, respectively. The outstanding lease obligations are:

<u>Year</u>	<u>Amount</u>
2015	\$ 202,357
2016	148,827
2017	153,153
2018	180,067
2019	229,568
Thereafter	<u>757,763</u>
Total	<u>\$ 1,671,735</u>

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## ALL STARS PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
Operation Conversation: Cops and Kids		\$ 27,274
All Stars Project of Chicago	\$ 334,760	
All Stars Project of Bridgeport	297,107	385,139
Regional Youth/Culture	10,000	10,000
For periods after December 31	<u>660,647</u>	<u>120,421</u>
Total	<u>\$ 1,302,514</u>	<u>\$ 542,834</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	\$ 251,982
All Stars Project of the San Francisco Bay Area	462,182
All Stars Project of Chicago	723,286
All Stars Project of New Jersey	1,256,964
All Stars Project of Dallas	561,153
All Stars Project of Bridgeport	445,022
Regional Youth/Culture	39,000
Passage of time	<u>85,500</u>
Total	<u>\$ 3,825,089</u>

**NOTE 10 - CONCENTRATION OF CREDIT RISK**

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, 2014

## 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 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, 2014 was 3.75%. The balance as of December 31, 2014 was \$640,000. Scheduled principal payments are as follows:

2015	\$ 80,000
2016	80,000
2017	<u>480,000</u>
	<u>\$ 640,000</u>

## NOTE 12 - SPECIAL EVENTS

	<u>Ticket Sales</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Bay Area benefit	\$ 114,400	\$ 23,848	\$ 90,552
Bridgeport benefit	79,050	5,212	73,838
Chicago luncheon	230,233	23,944	206,289
Cops & Kids benefit	46,400	4,630	41,770
Dallas benefit	112,400	17,557	94,843
National gala	507,500	182,465	325,035
NJ DSY dinner	286,310	19,824	266,486
NY DSY luncheon	191,500	44,755	146,745
Theatre gala	<u>29,100</u>	<u>6,020</u>	<u>23,080</u>
Total	<u>\$ 1,596,893</u>	<u>\$ 328,255</u>	<u>\$ 1,268,638</u>

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## ALL STARS PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

## NOTE 13 - ALLOCATION OF JOINT COSTS

In 2014, 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 \$229,569 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	\$ 49,128
Castillo Theatre	2,433
Development School for Youth	60,685
Volunteerism and Education	9,263
Youth on Stage	1,580
Operation Conversation: Cops and Kids	<u>4,390</u>
Total program services	127,479
Supporting services	
Fund raising	102,014
Management and general	<u>76</u>
Total	<u>\$ 229,569</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, 2014

## 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, 2014**

The endowment net asset composition of \$663,955 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 \$563,955 is expendable for general operating purposes. During 2014, interest earned on the funds was \$23,009. The temporarily restricted fund balance of \$23,464 is for general operating purposes.

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 455	\$ 395,013	\$ 395,468
Contributions		268,942	268,942
Interest income	23,009		23,009
Endowment net assets, end of year	\$ 23,464	\$ 663,955	\$ 687,419

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**ALL STARS PROJECT, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 15 - IN-KIND DONATIONS**

During 2014, ASP received various in-kind services with a value of \$59,961, including training resources, web hosting, and 75 outdoor lamp post banners.

**NOTE 16 - RETIREMENT PLAN**

ASP currently offers a 403(b) retirement plan through TIAA-CREF for its full-time employees. Employees are eligible for this benefit upon date of hire. ASP matches employee contributions bi-annually. The match is 25% of the first \$2,000 of employee contributions and 10% of any additional employee contributions. Additional details about this program are available from the Human Resource Department.

ASP's expense was \$38,593 for 2014.