

ALL STARS PROJECT, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2015

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, 2015, 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, 2015, 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.

Other Matter

As disclosed in Note 2, during 2015, All Stars Project, Inc. determined that it was appropriate to classify money market funds as cash and cash equivalents. Previously, such funds were classified as investments. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited All Stars Project, Inc.'s December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

May 16, 2016

ALL STARS PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(With Summarized Financial Information
for December 31, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 3,355,949	\$ 3,170,811
Investments (Note 3)	2,031,939	1,815,428
Contributions receivable (Note 4)	957,252	725,712
Prepaid expenses and other assets	164,629	119,447
Beneficial interest in charitable remainder unitrust (Note 5)	258,336	265,385
Deferred financing costs	462,917	484,113
Fixed assets - net (Note 6)	11,741,223	12,501,177
	<u>18,972,245</u>	<u>19,082,073</u>
Total assets	<u>\$ 18,972,245</u>	<u>\$ 19,082,073</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 50,234	\$ 61,107
Accrued salaries and related expenses payable	793,817	742,306
Other liabilities	159,302	5,000
Deferred revenue	3,000	7,407
Accrued interest payable	36,424	37,588
Deferred rent	138,143	96,975
Mortgage payable (Note 7)	10,176,920	10,443,017
Loans payable (Note 8)	560,000	640,000
	<u>11,917,840</u>	<u>12,033,400</u>
Total liabilities	<u>11,917,840</u>	<u>12,033,400</u>
Commitments and contingencies (Notes 9)		
Net assets (Exhibit B)		
Unrestricted	4,431,108	5,082,204
Temporarily restricted (Note 10)	1,658,623	1,302,514
Permanently restricted (Note 14)	964,674	663,955
	<u>7,054,405</u>	<u>7,048,673</u>
Total net assets	<u>7,054,405</u>	<u>7,048,673</u>
Total liabilities and net assets	<u>\$ 18,972,245</u>	<u>\$ 19,082,073</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, 2015
(With Summarized Financial Information
for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Revenues, gains (losses) and other support					
Contributions	\$ 2,466,627	\$ 5,564,328	\$ 300,719	\$ 8,331,674	\$ 7,711,808
Membership dues	52,470	-	-	52,470	120,073
All Stars ticket sales	10,947	-	-	10,947	20,442
Theatre ticket sales and subscriptions	103,738	-	-	103,738	79,521
In-kind donations (Note 15)	11,025	-	-	11,025	59,961
Special events	\$ 1,832,875				
Less direct cost of special events	<u>(378,839)</u>				
Net revenues from special events (Note 12)	1,454,036	-	-	1,454,036	1,268,638
Interest and dividends	59,183	65,781	-	124,964	64,546
Realized and unrealized loss on investments	(143,830)	(89,245)	-	(233,075)	(22,108)
Gain (loss) on beneficial interest in charitable remainder unitrust	(7,049)	-	-	(7,049)	22,649
Other revenues	4,610	-	-	4,610	7,586
Net assets released from restrictions (Note 10)	<u>5,184,755</u>	<u>(5,184,755)</u>	-	-	-
Total revenues, gains (losses) and other support	<u>9,196,512</u>	<u>356,109</u>	<u>300,719</u>	<u>9,853,340</u>	<u>9,333,116</u>

-continued-

ALL STARS PROJECT, INC.

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015
(With Summarized Financial Information
for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Expenses (Exhibit C)					
Program services					
All Stars Talent Show Network	\$ 2,431,514	\$ -	\$ -	\$ 2,431,514	\$ 2,370,396
Development School for Youth	2,272,049	-	-	2,272,049	1,753,870
Castillo Theatre	873,858	-	-	873,858	920,840
Volunteerism and Education	885,115	-	-	885,115	906,194
Youth on Stage	486,364	-	-	486,364	494,710
Operation Conversation: Cops and Kids	339,474	-	-	339,474	297,942
Total program services	<u>7,288,374</u>	<u>-</u>	<u>-</u>	<u>7,288,374</u>	<u>6,743,952</u>
Supporting services					
Management and general	894,258	-	-	894,258	812,623
Fund raising	1,664,976	-	-	1,664,976	1,473,636
Total supporting services	<u>2,559,234</u>	<u>-</u>	<u>-</u>	<u>2,559,234</u>	<u>2,286,259</u>
Total expenses	<u>9,847,608</u>	<u>-</u>	<u>-</u>	<u>9,847,608</u>	<u>9,030,211</u>
Change in net assets (Exhibit D)	(651,096)	356,109	300,719	5,732	302,905
Net assets - beginning of year	<u>5,082,204</u>	<u>1,302,514</u>	<u>663,955</u>	<u>7,048,673</u>	<u>6,745,768</u>
Net assets - end of year (Exhibit A)	<u>\$ 4,431,108</u>	<u>\$ 1,658,623</u>	<u>\$ 964,674</u>	<u>\$ 7,054,405</u>	<u>\$ 7,048,673</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015
(With Summarized Financial Information
for the Year Ended December 31, 2014)

	Program Services										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	Direct Costs of Special Events	2015	2014
Salaries	\$ 1,186,485	\$ 1,320,397	\$ 332,688	\$ 295,718	\$ 238,531	\$ 164,729	\$ 3,538,548	\$ 358,363	\$ 950,596	\$ -	\$ 4,847,507	\$ 4,277,970
Payroll taxes and employee benefits	245,648	244,053	67,522	68,167	54,771	33,771	713,932	62,737	182,986	-	959,655	874,476
Total salaries and related expenses	1,432,133	1,564,450	400,210	363,885	293,302	198,500	4,252,480	421,100	1,133,582	-	5,807,162	5,152,446
Grants	6,247	3,815	1,013	139	-	13	11,227	-	-	-	11,227	28,728
Professional fees	122,521	92,749	20,895	65,695	16,055	96,837	414,752	83,028	69,394	-	567,174	428,416
Production	75,057	42,880	41,176	7,626	2,889	5,956	175,584	2,998	52,597	64,974	296,153	294,765
Interest	92,662	57,565	101,040	77,906	42,100	-	371,273	21,050	42,851	-	435,174	449,021
Credit service and bank charges	-	-	-	-	-	-	-	67,126	-	-	67,126	63,081
Insurance	60,878	46,081	15,606	29,305	10,182	-	162,052	32,910	24,179	-	219,141	186,037
Telephone	21,090	8,046	3,309	7,715	1,618	1,799	43,577	17,566	11,126	-	72,269	68,081
Database and computer services	28,346	9,423	7,039	6,793	2,727	2,702	57,030	20,384	12,586	-	90,000	59,570
Occupancy	131,305	89,230	29,668	80,117	12,451	538	343,309	80,504	37,163	-	460,976	449,965
Training and outreach	37,213	49,551	11,940	16,683	6,871	3,424	125,682	5,588	27,961	-	159,231	150,201
Advertising and design	25,953	23,697	8,070	3,688	1,895	3,300	66,603	4,850	30,943	-	102,396	110,321
Transportation	40,539	42,080	3,268	7,669	2,877	14,265	110,698	4,227	31,410	-	146,335	134,489
Equipment rental	5,800	2,712	1,975	1,590	955	793	13,825	4,267	2,917	-	21,009	34,270
Repairs and maintenance	36,608	23,779	34,896	28,650	14,477	458	138,868	12,300	14,803	-	165,971	169,321
Postage and shipping	9,895	6,580	1,058	2,001	700	220	20,454	2,670	13,192	-	36,316	38,052
Office	25,605	12,456	4,079	8,369	1,574	3,576	55,659	18,219	15,226	-	89,104	73,325
Catering	6,257	13,566	674	1,090	696	741	23,024	1,337	14,659	170,219	209,239	227,790
Printing	24,935	21,384	12,823	5,589	1,154	3,213	69,098	4,231	28,214	-	101,543	139,193
Space rental	24,783	4,357	-	3,785	-	-	32,925	-	17	143,646	176,588	100,970
Depreciation and amortization	194,180	137,719	166,743	152,186	72,014	-	722,842	69,621	66,743	-	859,206	863,293
Dues, subscriptions and conference fees	23,614	13,100	7,342	11,829	1,352	2,353	59,590	7,686	32,468	-	99,744	116,371
Miscellaneous	5,893	6,829	1,034	2,805	475	786	17,822	12,596	2,945	-	33,363	20,760
Total expenses	2,431,514	2,272,049	873,858	885,115	486,364	339,474	7,288,374	894,258	1,664,976	378,839	10,226,447	9,358,466
Less direct cost of special events	-	-	-	-	-	-	-	-	-	(378,839)	(378,839)	(328,255)
Total expenses (excluding direct expenses of special events) (Exhibit B)	\$ 2,431,514	\$ 2,272,049	\$ 873,858	\$ 885,115	\$ 486,364	\$ 339,474	\$ 7,288,374	\$ 894,258	\$ 1,664,976	\$ -	\$ 9,847,608	\$ 9,030,211

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALL STARS PROJECT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 5,732
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	859,206
Realized and unrealized loss on investments	233,075
Permanently restricted contributions	(300,719)
Loss on beneficial interest in charitable remainder unitrust	7,049
Decrease (increase) in assets	
Contributions receivable	(231,540)
Prepaid expenses and other assets	(45,182)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(10,873)
Accrued salaries and related expenses payable	51,511
Other liabilities	154,302
Deferred revenue	(4,407)
Accrued interest payable	(1,164)
Deferred rent	41,168
Net cash provided by operating activities	<u>758,158</u>
Cash flows from investing activities	
Purchase of fixed assets	(78,056)
Purchase of investments	(1,423,459)
Proceeds from sale of investments	973,873
Net cash provided by investing activities	<u>(527,642)</u>
Cash flows from financing activities	
Principal payments on loans payable	(80,000)
Principal payments on mortgage payable	(266,097)
Proceeds from permanently restricted contributions	300,719
Net cash used by financing activities	<u>(45,378)</u>
Net change in cash and cash equivalents	185,138
Cash and cash equivalents - beginning of year	<u>3,170,811</u>
Cash and cash equivalents - end of year	<u>\$ 3,355,949</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u>\$ 436,338</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, 2015

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.

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.

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, Bay Area, CA, Dallas, TX and Bridgeport, CT.

Castillo Theatre

The Castillo Theatre (Castillo) 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.

ALL STARS PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****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 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 source of support is contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations.

Financial statement presentation - The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statements of activities.

These classes are defined as follows:

- (i) **Permanently restricted** - Net assets resulting from contributions and other inflows of assets whose use by ASP is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of ASP.
- (ii) **Temporarily restricted** - Net assets resulting from contributions and other inflows of assets whose use by ASP is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ASP pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

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ALL STARS PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(iii) Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

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. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived. With respect to the statement of activities, the prior year information is not presented by net asset class. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than by functional category. 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, 2014, from which the summarized information was derived.

Change in accounting policy and reclassifications - During 2015, ASP determined that it was appropriate to classify money market funds as cash and cash equivalents in accordance with its policies. Previously, such funds were classified as investments. Accordingly, ASP had revised the classifications to report these funds under the cash and cash equivalents. Also, during 2015, ASP determined that it was appropriate to classify deferred financing costs separate from fixed assets in accordance with generally accepted accounting principles. Previously, such assets were classified as fixed assets. ASP had revised the classification of these assets to report them as deferred financing costs on the statement of financial position and cash flows. These changes in classification do not affect the previously reported cash flows from operations or from financing activities and had no effect on the previously reported statement of operations for any period. A portion of prior year accounts payable and accrued expenses have been reclassified to other liabilities on the statement of financial position to conform to the current year's presentation.

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ALL STARS PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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

Deferred financing costs - Deferred financing costs represent costs incurred to obtain financing. Amortization of these costs is provided on a straight-line basis over the term of indebtedness.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

Membership, ticket sales and theatre subscriptions - Membership and theatre subscriptions are recognized over the membership and subscription period. Ticket sales are recognized at the time the event occurs.

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).

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ALL STARS PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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, 2015 as compared to those used at December 31, 2014.

Common stock 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.

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, 2012 and subsequent remain subject to examination by applicable taxing authorities. There was no unrelated business income for the year ended December 31, 2015.

Subsequent events - Subsequent events have been evaluated through May 16, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investments at fair value at December 31, 2015 consist of the following:

	Fair Value - Level 1
Common stock - domestic	\$ 28,636
Corporate bonds - domestic	1,001,895
Mutual funds - equities	<u>1,001,408</u>
	<u>\$ 2,031,939</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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:

2016 and prior	\$ 470,090
2017	358,500
2018	128,000
2019	<u>20,000</u>
	976,590
Less discount to present value	<u>(19,338)</u>
	<u>\$ 957,252</u>

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 actuarial present value of the beneficial interest in the charitable remainder unitrust at December 31, 2015 is \$258,336.

NOTE 6 - FIXED ASSETS

Fixed assets consist of the following at December 31, 2015:

Condominium	\$ 7,750,000
Condominium improvements	9,233,868
Leasehold improvements	1,338,027
Furniture, fixtures and equipment	448,636
Video equipment	89,788
Computer equipment	<u>358,203</u>
	19,218,522
Less accumulated depreciation and amortization	<u>(7,477,299)</u>
	<u>\$ 11,741,223</u>

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ALL STARS PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 6 - FIXED ASSETS (continued)**

The depreciation and amortization expense for the year ended December 31, 2015 was \$838,010.

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, 2015 was \$10,176,920.

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 and current portion of loans, must be at least \$1,750,000 starting in 2013. As of December 31, 2015, ASP was in compliance with these covenants.

The mortgage is collateralized by the condominium and contributions receivable.

Scheduled principal payments for the mortgage payable are as follows:

2016	\$ 275,847
2017	288,245
2018	300,004
2019	312,241
2020	323,966
Thereafter	<u>8,676,617</u>
	<u>\$ 10,176,920</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 8 - 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, 2015 was 3.75%. The loans are collateralized by all business assets of ASP. The balance as of December 31, 2015 was \$560,000. Scheduled principal payments are as follows:

2016	\$ 80,000
2017	<u>480,000</u>
	<u>\$ 560,000</u>

NOTE 9 - OPERATING LEASES

ASP leases office space in Newark, San Francisco, Chicago and Bridgeport under various non-cancelable arrangements through 2023. Rent expense for the year ended December 31, 2015 was \$283,271. The outstanding lease obligations are:

<u>Year</u>	<u>Amount</u>
2016	\$ 225,397
2017	204,936
2018	180,067
2019	229,568
2020	234,160
Thereafter	<u>523,603</u>
Total	<u>\$ 1,597,731</u>

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ALL STARS PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2015 temporarily restricted net assets are available for the following purposes or periods:

Operation Conversation: Cops and Kids	\$ 18,087
All Stars Project of Chicago	517,957
All Stars Project of Bridgeport	273,467
Regional Youth/Culture	3,450
For periods after December 31, 2015	<u>845,662</u>
 Total	 <u>\$ 1,658,623</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	\$ 339,481
All Stars Project of the San Francisco Bay Area	503,195
All Stars Project of Chicago	964,807
All Stars Project of New Jersey	1,728,617
All Stars Project of Dallas	730,473
All Stars Project of Bridgeport	516,942
Regional Youth/Culture	17,550
Passage of time	<u>383,690</u>
 Total	 <u>\$ 5,184,755</u>

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject ASP to concentration of credit risk consist primarily of cash and cash equivalents. At various times, ASP has cash deposits at financial institutions, which exceed the Federal Deposit Insurance Corporation insurance limits.

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 12 - SPECIAL EVENTS

	<u>Ticket Sales</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Bay Area benefit	\$ 148,785	\$ 24,919	\$ 123,866
Bridgeport benefit	39,450	4,339	35,111
Bridgeport golf event	75,300	37,336	37,964
Chicago luncheon	348,480	28,418	320,062
Dallas benefit	123,500	30,002	93,498
National gala	415,500	137,973	277,527
NJ DSY dinner	253,750	47,521	206,229
NY DSY luncheon	395,250	62,481	332,769
Other	<u>32,860</u>	<u>5,850</u>	<u>27,010</u>
Total	<u>\$ 1,832,875</u>	<u>\$ 378,839</u>	<u>\$ 1,454,036</u>

NOTE 13 - ALLOCATION OF JOINT COSTS

In 2015, 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, public relations, and telemarketing. The costs of conducting those activities included a total of \$264,820 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	\$ 55,436
Castillo Theatre	3,237
Development School for Youth	<u>64,927</u>
Total program services	123,600
Supporting services	
Fund raising	<u>141,220</u>
Total	<u>\$ 264,820</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

Interpretation of Relevant Law

The Board of Directors of ASP 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 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 investment income to support the purposes designated by the donor. 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, 2015

As of December 31, 2015, the endowment net asset composition of \$964,674 consists of two permanently donor-restricted funds.

NJ Development School for Youth	\$ 100,000
General operating purposes	<u>864,674</u>
	<u>\$ 964,674</u>

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ALL STARS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 14 - ENDOWMENT FUND (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2015

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 23,464	\$ 663,955	\$ 687,419
Contributions	-	300,719	300,719
Interest income	65,781	-	65,781
Realized and unrealized losses on investments	<u>(89,245)</u>	<u>-</u>	<u>(89,245)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 964,674</u>	<u>\$ 964,674</u>

NOTE 15 - IN-KIND DONATIONS

During 2015, ASP received in-kind professional services with a value of \$11,025.

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. ASP's expense was \$44,711 for 2015.