All Stars Project, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2019

BKD
CPAs & Advisors

All Stars Project, Inc.
December 31, 2019

Contents

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CPAs & Advisors

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Independent Auditor's Report

Board of Directors
All Stars Project, Inc.
New York, New York

We have audited the accompanying financial statements of All Stars Project, Inc., which comprise the statement of financial position as of December 31, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2019, All Stars Project, Inc. adopted new accounting guidance regarding recognition of revenue with customers. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
May 12, 2020

All Stars Project, Inc.
Statement of Financial Position
December 31, 2019

Assets	
Current	
Cash and cash equivalents	$ 2,073,316
Short-term investments	2,711,487
Contributions receivable	1,434,280
Prepaid expenses and other current assets	142,580
Total current assets	6,361,663
Other assets	67,530
Contributions receivable, less current portion	3,177,776
Long-term investments	1,496,287
Property and equipment, net	9,255,736
Total assets	$ 20,358,992
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 9,866
Accrued salaries and related expenses payable	324,776
Other liabilities	4,723
Deferred revenue	3,300
Accrued interest payable	30,711
Current portion of mortgage payable	323,966
Current portion of loans payable	91,303
Total current liabilities	788,645
Deferred rent	169,542
Mortgage payable, net	8,357,799
Loans payable	135,789
Total liabilities	9,451,775
Net Assets	
Without donor restrictions	
Undesignated	4,588,241
Designated by the Board for endowment	331,298
Total net assets without donor restrictions	4,919,539
With donor restrictions	
Perpetual in nature	893,348
Purpose restrictions	1,597,841
Time-restricted for future periods	3,496,489
Total net assets with donor restrictions	5,987,678
Total net assets	10,907,217
Total liabilities and net assets	$ 20,358,992

All Stars Project, Inc.

Statement of Activities

Year Ended December 31, 2019

		Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains and Other Support				
Contributions		$ 3,483,201	$ 4,908,834	$ 8,392,035
Theatre ticket sales and subscriptions		42,283	-	42,283
In-kind donations		249,781	-	249,781
Special events	$ 2,586,521			
Less direct cost of special events	(461,705)			
Net revenues from special events		2,124,816	-	2,124,816
Investment gain, net		207,548	264,809	472,357
Other revenues		37,655	-	37,655
Net assets released from restrictions		5,405,834	(5,405,834)	-
Total revenues, gains and other support		11,551,118	(232,191)	11,318,927
Expenses				
Program services				
All Stars Talent Show Network/Youth on Stage		1,852,218	-	1,852,218
Development School for Youth		3,292,073	-	3,292,073
Castillo Theatre		839,720	-	839,720
Volunteerism and Education		1,016,093	-	1,016,093
Operation Conversation: Cops and Kids		1,143,255	-	1,143,255
Total program services		8,143,359	-	8,143,359
Supporting services				
Management and general		816,594	-	816,594
Fund raising		1,582,208	-	1,582,208
Total supporting services		2,398,802	-	2,398,802
Total expenses		10,542,161	-	10,542,161
Change in Net Assets		1,008,957	(232,191)	776,766
Net Assets, Beginning of Year, as Previously Reported		3,956,593	6,219,869	10,176,462
Revision		(46,011)	-	(46,011)
Net Assets, Beginning of Year, as Revised		3,910,582	6,219,869	10,130,451
Net Assets, End of Year		$ 4,919,539	$ 5,987,678	$10,907,217

All Stars Project, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services									
	All Stars Talent Show Network/ Youth on Stage	Development School for Youth	Castillo Theatre	Volunteerism and Education	Operation Conversation: Cops & Kids	Total Program Services	Management and General	Fund Raising	Direct Costs of Special Events	Total
Salaries	$ 927,988	$ 1,720,830	$ 283,295	$ 533,458	$ 416,647	$ 3,882,218	$ 383,774	$ 779,472	$ -	$ 5,045,464
Payroll taxes and employee benefits	216,863	372,917	76,708	117,621	100,606	884,715	84,823	152,185	-	1,121,723
Total salaries and related expenses	1,144,851	2,093,747	360,003	651,079	517,253	4,766,933	468,597	931,657	-	6,167,187
Grants and donations	5,600	-	25,000	-	-	30,600	-	-	-	30,600
Professional fees	67,547	261,730	22,232	169,673	119,185	640,367	62,876	144,065	-	847,308
Production	31,532	69,430	18,854	11,328	1,003	132,147	1,492	74,285	8,190	216,114
Interest	81,853	76,192	86,385	21,879	88,436	354,745	29,064	23,967	-	407,776
Fees and charges	8,442	9,557	1,901	2,311	2,402	24,613	80,233	4,557	-	109,403
Insurance	37,207	60,573	13,802	20,322	21,610	153,514	14,199	25,157	-	192,870
Telecommunications	17,471	26,256	8,927	5,172	14,317	72,143	4,900	10,881	-	87,924
Computer and information technology	28,669	54,410	13,723	8,664	21,161	126,627	12,507	16,937	-	156,071
Occupancy	100,997	173,769	27,147	17,309	63,466	382,688	22,309	57,835	-	462,832
Training and outreach	13,063	30,283	6,650	9,501	11,059	70,556	11,568	22,365	-	104,489
Promotional materials and advertising	12,046	24,060	9,199	8,179	3,001	56,485	1,077	28,237	-	85,799
Transportation and travel expenses	23,527	69,524	1,187	11,465	21,095	126,798	9,098	61,326	-	197,222
Equipment rental	4,573	10,667	3,608	1,864	3,837	24,549	1,009	7,391	-	32,949
Repairs and maintenance	47,948	53,908	49,615	12,506	56,320	220,297	11,925	17,749	-	249,971
Postage and shipping	1,905	2,974	901	234	232	6,246	14,953	24,591	-	45,790
Office expense	20,427	33,958	11,261	8,256	12,525	86,427	12,797	21,416	-	120,640
Catering	2,530	7,852	7,410	3,976	711	22,479	3,744	15,817	453,515	495,555
Printing	15,672	19,716	7,997	3,928	2,639	49,952	2,623	20,222	-	72,797
Space rental	10,252	8,620	2,694	5,457	1,542	28,565	410	3,228	-	32,203
Depreciation and amortization	170,796	196,768	156,107	36,000	178,531	738,202	43,208	64,140	-	845,550
Dues, subscriptions and conference fees	3,438	4,120	4,677	6,395	1,682	20,312	3,555	4,796	-	28,663
Miscellaneous	1,872	3,959	440	595	1,248	8,114	4,450	1,589	-	14,153
Total expenses	1,852,218	3,292,073	839,720	1,016,093	1,143,255	8,143,359	816,594	1,582,208	461,705	11,003,866
Less direct cost of special events	-	-	-	-	-	-	-	-	(461,705)	(461,705)
Total expenses (excluding direct expenses of special events)	$ 1,852,218	$ 3,292,073	$ 839,720	$ 1,016,093	$ 1,143,255	$ 8,143,359	$ 816,594	$ 1,582,208	$ -	$ 10,542,161

All Stars Project, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Operating Activities	
Change in net assets	$ 776,766
Items not requiring (providing) operating cash flows	
Depreciation and amortization	845,550
Amortization of debt issuance costs included in interest expense	30,522
Net realized and unrealized gain on investments	(375,956)
Changes in	
Contributions receivable	(59,403)
Prepaid expenses and other assets	(30,622)
Accounts payable and accrued expenses	1,843
Accrued salaries and related expenses payable	(260,105)
Deferred revenue	400
Deferred rent	(43,815)
Net cash provided by operating activities	885,180
Investing Activities	
Purchase of property and equipment	(10,107)
Purchase of investments	(5,329,637)
Proceeds from the sale of investments	5,069,334
Net cash used in investing activities	(270,410)
Financing Activities	
Principal payments on loans payable	(87,753)
Principal payments on mortgage payable	(313,249)
Net cash used in financing activities	(401,002)
Net Change in Cash and Cash Equivalents	213,768
Cash and Cash Equivalents, Beginning of Year	1,859,548
Cash and Cash Equivalents, End of Year	$ 2,073,316
Supplemental Cash Flows Information	
Cash paid during the year for interest	$ 377,257

All Stars Project, Inc.
Notes to Financial Statements
December 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

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.

ASP's primary source of support is contributions.

The All Stars Talent Show Network & Youth Onstage!

The All Stars Talent Show Network (ASTSN) involves young people, ages 5 to 25 in performing and producing hip-hop talent shows in their neighborhoods. They are cheered on by an audience of family, neighbors, volunteers and supporters. This experience is transformative for all. ASTSN is produced in New York, NY, Newark, NJ, Chicago, IL, and Dallas, TX.

Youth Onstage! provides young performers ages 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.

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 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 and Jersey City, NJ, Chicago, IL, San Francisco, Bay Area, CA, and Dallas, TX.

Education and Afterschool Development Initiatives

Afterschool Development Initiatives (ADI) is a set of activities, conversations, writing, and research that is advancing and further shaping afterschool as a field, discipline, and strategy that is distinct from the foundation and practices of school-based and traditional education. ADI will create and pursue opportunities to promote and market breakthrough prospective on measuring development and growth in youth in partnership with Southern Methodist University and others, create and pursue strategic partnership and connections that scale ASP's performance based development approach and programs, influence academic programs, and develop fellowship programs for frontline practitioners/active stakeholders in afterschool development group nationally.

University X (UX) is a free, university-style school for continuing development. It has classes, workshops and field trips that are open to people of all ages.

The Talented Volunteers program creates opportunities for hundreds of adults to get involved in virtually every aspect of ASP's programs and operations. There are approximately 3,500 volunteers involved annually.

The Castillo Theatre

The Castillo Theatre (Castillo) brings challenging, thought-provoking theatre for young people and adults in 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.

Operation Conversation: Cops & Kids

Operation Conversation: Cops & Kids is an innovative police-community relations program run by ASP in partnership with local police departments. The program uses performance, improvisation and conversation to help inner-city teenagers and police officers develop a positive relationship. Approximately 500 police officers and youth have participated in these workshops.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) 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.

Cash and Cash Equivalents

ASP considers highly liquid instruments with maturities of less than three months, when acquired, to be cash equivalents.

Cash equivalents include uninvested cash within endowment accounts.

At December 31, 2019, cash equivalents consisted primarily of money market accounts.

At December 31, 2019, ASP's cash accounts exceeded federally insured limits by approximately $1,570,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

ASP maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

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 at December 31, 2019.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. ASP records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

Property and Equipment

Property and equipment are recorded at cost. Items with a cost in excess of $3,000 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:

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

Asset Impairment

ASP evaluates long-lived assets for impairment whenever events or changes in circumstances would indicate that the carrying value of an asset may not be recoverable. Long-lived assets would be deemed to be impaired if the carrying value of the assets is in excess of its fair value. There was no indication of any asset impairments for the year ended December 31, 2019.

Deferred Revenue

Amounts received for special events, ticket sales, and theatre subscriptions not yet earned or for events that have not yet occurred are recorded as deferred revenue. These deferred revenues are expected to be earned in the next fiscal year.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to ASP either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on ASP overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Theatre Ticket Sales and Subscriptions

Theatre subscriptions are recognized over the subscription period. Revenue from ticket sales is recognized at the time the performance 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.

In-Kind Donations

ASP records donated services that require specialized skills and would typically need to be purchased if they had not been contributed based on prevailing rates (fair value) for said services. In-kind donations of $249,781 were received for the year ended December 31, 2019.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include salaries and related expenses of administrative and clerical staff, depreciation and amortization, interest, insurance, certain database and computer services, professional services, travel, trainings and seminar, as well as facilities costs. Occupancy, occupancy related and facilities costs for office space is based on estimates of time and efforts, occupancy costs for mixed use facilities is based on square footage of the space and the estimated usage. Certain costs of the database and technology are allocated based on utilization of specific technology. Other costs are allocated based on ratios of time and effort and of all departments and programs benefiting from costs incurred.

Advertising

Advertising costs are expensed as incurred.

Deferred Rent

Operating leases are reported on the straight line basis over the term of the leases. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected as deferred rent when material.

Grant Expense

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

Fair Value Measurements of Investments

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 have been no changes in the methodologies used at December 31, 2019 as compared to those used at December 31, 2018.

U.S. treasury securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Exchange-traded funds and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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. Furthermore, while ASP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Income Taxes

ASP is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, ASP is subject to federal income tax on any unrelated business taxable income.

ASP files tax returns in the U.S. federal jurisdiction.

Revisions

Net assets as of January 1, 2019 have been revised for an immaterial error, decreasing net assets without donor restrictions by $46,011 and decreasing unamortized debt issuance costs by the same amount. These revisions did not have a significant impact on the financial statement line items impacted.

Change in Accounting Principle

On January 1, 2019, ASP adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers at January 01, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which ASP expects to be entitled in exchange for those goods or services.

The amount to which ASP expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

The results of ASC 606 did not have a material impact on the financial position, changes in net assets, cash flows, business processes, or controls or ASP, but it did result in related disclosures in the notes to the financial statements.

Note 2: Investments

Investments at fair value at December 31, 2019 consist of the following:

	Level 1	Level 2	Total
U.S. Treasury securities	$ -	$ 1,295,424	$ 1,295,424
Mutual funds - equities	2,465,434	-	2,465,434
Exchange-traded funds - equities	446,916	-	446,916
	$ 2,912,350	$ 1,295,424	$ 4,207,774

Note 3: 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 percent.

Contributions receivable are due as follows:

2020	$ 1,434,280
2021	1,316,390
2022	899,166
2023	637,500
2024	182,500
Thereafter	355,000
	4,824,836
Less unamortized discount	(212,780)
	$ 4,612,056

Note 4: Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Land	$ 225,000
Building	485,000
Condominium	7,750,000
Condominium improvements	9,314,159
Leasehold improvements	1,348,421
Furniture, fixtures and equipment	331,600
Video and light equipment	230,648
Computer equipment	224,118
	19,908,946
Less accumulated depreciation and amortization	(10,653,210)
	$ 9,255,736

Depreciation and amortization expense relating to property and equipment was $845,550 for the year ended December 31, 2019.

Note 5: Mortgage Payable

ASP has 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 percent. Payments are made monthly. The loan matures November 2038. The balance as of December 31, 2019 was $9,001,757. Interest expense for the year ended December 31, 2019 totaled $396,771, including $30,522 for amortization of debt issuance costs.

The loan covenants require a debt service ratio of 1.20 to 1. In addition, cash and cash equivalents plus short and long-term investments, which can be converted to cash within 60 days, and the current portion of pledges, minus any outstanding and current portion of loans, must be at least $1,750,000 at the end of each quarter and year-end starting in 2013. As of December 31, 2019, management believes that ASP was in compliance with these covenants.

The mortgage is collateralized by the condominium and contributions receivable.

ASP incurred $553,272 of debt issuance costs in connection with the mortgage refinancing. These costs are being amortized over the term of the related mortgage using the effective interest method. At December 31, 2019, the unamortized debt issuance costs were $319,992. The effective interest rate for the year ended December 31, 2019 is 4.3 percent.

Scheduled principal payments for the mortgage payable are as follows:

2020	$	323,966
2021		338,193
2022		351,989
2023		366,347
2024		380,437
Thereafter		7,240,825
Total		9,001,757
Less unamortized debt issuance costs		(319,992)
Net total	$	8,681,765

Note 6: Loans Payable

ASP has two loans from First Republic Bank, one for $300,000 and the other for $500,000. The loans now bear interest at a fixed rate of 3.95 percent and mature in 2022. Payments are made monthly. The total balance as of December 31, 2019 was $227,092. The loans are secured by the condominium. Interest expense for the year ended December 31, 2019 totaled $11,004. Scheduled principal payments are as follows:

2020	$	91,303
2021		95,051
2022		40,738
	$	227,092

Note 7: Operating Leases

ASP leases office space in Newark, San Francisco, and Chicago under various noncancelable lease agreements through 2023. Rent expense for the year ended December 31, 2019 was $283,711. Future minimum lease payments at December 31, 2019 were:

Year		Amount
2020	$	310,404
2021		241,468
2022		243,620
2023		41,141
Total	$	836,633

Note 8: Net Assets With Donor Restrictions

At December 31, 2019 net assets with donor restrictions are available for the following purposes or periods:

Subject to the passage of time and to expenditure for specified purpose	
Afterschool Development Initiative	$ 83,238
All Stars Project of Chicago	786,660
Chicago Center expansion	446,615
Subject to the passage of time	
Promises to give that are not restricted by donors but are unavailable for expenditure until due	3,496,489
Endowments	
Subject to appropriation and expenditure when a specified event occurs	
NJ Development School for Youth	100,000
Available for general operating purposes	793,348
Subject to ASP endowment spending policy and appropriation	
NJ Development School for Youth	31,491
Available for general operating purposes	249,837
Total	$ 5,987,678

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	$ 273,430
All Stars Talent Show Network	7,086
Afterschool Development Initiative	586,752
Volunteerism and Education	1,218
Development School for Youth	911,777
Castillo Theatre	126,824
All Stars Project of the San Francisco Bay Area	482,822
All Stars Project of Chicago	1,421,747
Chicago Center expansion	40,636
All Stars Project of New Jersey	518,017
All Stars Project of Dallas	533,686
Appropriation of endowment earnings	31,254
Passage of time	470,585
Total	$ 5,405,834

Note 9: Liquidity and Availability

ASP's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$ 2,073,316
Less endowment/quasi endowment within cash and cash equivalents	(9,687)
Cash and cash equivalents without donor restriction	2,063,629
Short-term investments	2,711,487
Current portion of contributions receivable	1,434,280
Total	$ 6,209,396

ASP receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. ASP includes these in financial assets available to meet cash needs for general expenditures within one year, since ASP expects to meet the donor's restriction in the ordinary course of business.

ASP manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term expenditures and operating needs and maintaining sufficient liquidity to provide reasonable assurance that long-term obligations will be discharged. ASP monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash and cash equivalents are available to meet current claim payment and expenditure needs.

ASP has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. ASP's endowment fund consists of donor restricted endowment and board-designated endowment (*Note 11*). Income from donor-restricted endowment is restricted until appropriated by ASP's board for expenditure. None of the unappropriated endowment earnings are expected to be used for operations within the next year. Board designated endowment and income on board designated endowment are not restricted. ASP does not intend to spend from its board designated endowment; however, the entire board designated endowment is available for general expenditures.

Note 10: Allocation of Joint Costs

In 2019, ASP conducted activities that included requests for contributions, as well as program components. Those activities included special events and marketing. The costs of conducting those activities amounted to $230,664 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/Youth on Stage	$ 25,618
Volunteerism and Education	654
Cops and Kids	973
Development School for Youth	87,474
Total program services	114,719
Supporting services	
Management and general	147
Fund raising	115,798
Total	$ 230,664

Note 11: Endowment Funds

General

ASP's two endowment funds include funds designated by the Board of Directors, 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 percent of the average of its previous five years' balance. As a result of this interpretation, when reviewing its donor-restricted endowment funds, ASP considers a fund to be "underwater" if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. ASP has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with NYPMIFA, ASP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund

2. Purposes of the organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the organization
7. Investment policies of the organization

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. ASP is able to draw down up to 4 percent per year of the fair market value of the endowment fund per donors' wishes. 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 donor restricted until appropriated.

Underwater Endowments

Underwater endowment funds are funds for which the fair value of the fund at the reporting date is less than either the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions. At December 31, 2019, there are no underwater endowments.

Endowment Net Asset Composition by Type of Fund as of December 31, 2019

As of December 31, 2019, the endowment net asset composition of $1,505,974 consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor			
NJ Development School for Youth	$ -	$ 100,000	$ 100,000
General operating purposes	-	793,348	793,348
Board designated endowment fund	250,000	-	250,000
Total corpus of the endowment funds	250,000	893,348	1,143,348
Cumulative net investment gains	106,790	375,836	482,626
Cumulative release of income into operations	(25,492)	(94,508)	(120,000)
Endowment net assets, end of year	$ 331,298	$ 1,174,676	$ 1,505,974

Changes in Endowment Net Assets for the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 265,938	$ 941,121	$ 1,207,059
Investment return, net	74,106	264,809	338,915
Appropriation of endowment assets for expenditures	(8,746)	(31,254)	(40,000)
Endowment net assets, end of year	$ 331,298	$ 1,174,676	$ 1,505,974

Note 12: 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 percent of the first $2,000 of employee contributions and 10 percent of any additional employee contributions. ASP's expense was $53,522 for the year ended December 31, 2019.

Note 13: Revenue from Contracts with Customers

Revenues with customers is comprised of:

Theatre and All Stars ticket sales and subscriptions are considered non-refundable exchange transactions. Subscriptions are recorded as revenue during the applicable period. The portion of subscriptions that has not been recognized represents a deferred liability at year-end. No portion of such subscription is allocated to revenues. Theatre and All Stars ticket sales are recognized as revenues when performances take place.

Special event revenues are comprised of ticket component of ASP's special event. Revenue is recognized when events takes place. All of the special event ticket purchases are disaggregated from contributions. The non-tax deductible portion of special event revenues is considered an exchange transaction. In 2019, exchange portion of all special event tickets associated with special event revenues was $217,615. At December 31, 2019, there were no liabilities pertaining to special event revenues.

Note 14: Conditional Contribution

As of December 31, 2019, ASP has received $1,000,000 conditional promise to give that is not recognized in the financial statements upon having a final lease for a suitable Chicago center, as selected by ASP's Real Estate Committee.

Note 15: Subsequent Events

Subsequent events have been evaluated through May 12, 2020, which is the date the financial statements were available to be issued.

Current Economic Conditions

On March 11, 2020, the World Health Organization declared the novel strain of the coronavirus "COVID-19" a global pandemic and recommended containment and mitigation measures worldwide. As a result of the spread of the COVID-19, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of ASP, including but not limited to reduction in contributions, and possible changes in the values of investment securities reported in the accompanying statement of financial position. The full impact of COVID-19 outbreak continues to evolve as of the date of this report and the duration of these uncertainties, and the ultimate financial effects, cannot be reasonably estimated at this time.

In response to the impact of COVID-19, ASP is actively monitoring the effects on its financial condition, workforce and ASP programs. As of the date of this report, ASP is carrying out programs remotely. As part of ongoing COVID-19 related containment measures, ASP has terminated its lease in San Francisco and one office lease in Chicago and continues to look at ways to reduce occupancy and other operating costs, and pursuing restructuring loan arrangements. ASP and its advisors are actively monitoring ASP's investment portfolio, including the fluctuations in the fair market values of its investments for other than temporary impairment.

As an element of response to COVID-19, ASP has applied, and on April 27, 2020, received loan proceeds in the amount of $1,088,400, pursuant to the Paycheck Protection Program, the "PPP," under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Funds from the loan may only be used for payroll costs, costs used to continue group health benefits, mortgage interest payments, rent, and utilities. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first six months.

Note 16: Future Changes in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2021. ASP is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.