

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2003 calendar year, or tax year beginning JUN 1, 2003 and ending MAY 31, 2004

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization HITS Theatre Formerly Houston Upstairs Theatre School	D Employer identification number 74-2118224
	Number and street (or P.O. box if mail is not delivered to street address) 311 West 18th	Room/suite E Telephone number 713-861-7408
	City or town, state or country, and ZIP + 4 Houston, TX 77008	F Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates: _____

H(c) Are all affiliates included? **N/A** Yes No (If "No," attach a list.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Group Exemption Number: _____

G Website: www.hits theatre.org

J Organization type (check only one) 501(c)(3) (insert no. 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 **397,839.**

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, and similar amounts received:			
	a Direct public support	1a	249,741.	
	b Indirect public support	1b		
	c Government contributions (grants)	1c		
	d Total (add lines 1a through 1c) (cash \$ 228,625. noncash \$ 21,116.)	1d	249,741.	
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2	139,462.	
	3 Membership dues and assessments	3		
	4 Interest on savings and temporary cash investments	4	29.	
	5 Dividends and interest from securities	5		
	6 a Gross rents	6a		
b Less: rental expenses	6b			
c Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7 Other investment income (describe _____)	7			
8 a Gross amount from sales of assets other than inventory	(A) Securities	(B) Other		
	8a			
b Less: cost or other basis and sales expenses	8b			
c Gain or (loss) (attach schedule)	8c			
d Net gain or (loss) (combine line 8c, columns (A) and (B))	8d			
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>				
a Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a			
b Less: direct expenses other than fundraising expenses	9b			
c Net income or (loss) from special events (subtract line 9b from line 9a)	9c			
10 a Gross sales of inventory, less returns and allowances	10a	8,607.		
b Less: cost of goods sold	10b	4,235.		
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c	4,372.	Stmt 1	
11 Other revenue (from Part VII, line 103)	11			
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	393,604.		
Expenses	13 Program services (from line 44, column (B))	13	408,823.	
	14 Management and general (from line 44, column (C))	14	102,167.	
	15 Fundraising (from line 44, column (D))	15	31,221.	
	16 Payments to affiliates (attach schedule)	16		
	17 Total expenses (add lines 16 and 44, column (A))	17	542,211.	
Net Assets	18 Excess or (deficit) for the year (subtract line 17 from line 12)	18	<148,607.>	
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	42,216.	
	20 Other changes in net assets or fund balances (attach explanation)	20	<30,677.>	See Statement 2
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	<137,068.>	

SCANNED JUN 03 2003

RECEIVED
APR 25 2005
CGDEN. OF

G-3-16 2

HITS Theatre
Formerly Houston Upstairs Theatre School 74-2118224

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. Page 2

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule)					
cash \$ _____ noncash \$ _____	22				
23 Specific assistance to individuals (attach schedule)	23				
24 Benefits paid to or for members (attach schedule)	24				
25 Compensation of officers, directors, etc.	25	47,450.	23,725.	23,725.	0.
26 Other salaries and wages	26	191,678.	172,360.	19,318.	
27 Pension plan contributions	27				
28 Other employee benefits	28	16,521.	14,208.	2,313.	
29 Payroll taxes	29	19,511.	15,609.	3,902.	
30 Professional fundraising fees	30				
31 Accounting fees	31				
32 Legal fees	32				
33 Supplies	33	10,532.	1,369.	9,163.	
34 Telephone	34				
35 Postage and shipping	35	7,841.	4,626.	1,411.	1,804.
36 Occupancy	36	28,836.	21,680.	7,156.	
37 Equipment rental and maintenance	37				
38 Printing and publications	38	13,141.	6,238.		6,903.
39 Travel	39				
40 Conferences, conventions, and meetings	40				
41 Interest	41	15,034.		15,034.	
42 Depreciation, depletion, etc. (attach schedule)	42	21,069.	17,715.	3,354.	
43 Other expenses not covered above (itemize):					
a _____	43a				
b _____	43b				
c _____	43c				
d _____	43d				
e See Statement 3	43e	170,598.	131,293.	16,791.	22,514.
44 <small>Total functional expenses (add lines 22 through 43). Organizations completing columns (B)-(D), carry these totals to lines 13-15.</small>	44	542,211.	408,823.	102,167.	31,221.

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____;
 (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? **See Statement 4**

	Program Service Expenses <small>(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others.)</small>
a See Statement 5	
(Grants and allocations \$ _____)	179,219.
b See Statement 6	
(Grants and allocations \$ _____)	229,604.
c	
(Grants and allocations \$ _____)	
d	
(Grants and allocations \$ _____)	
e Other program services (attach schedule)	(Grants and allocations \$ _____)
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	408,823.

HITS Theatre

Part IV Balance Sheets

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year	(B) End of year
Assets	45 Cash - non-interest-bearing	36,122.	25,161.
	46 Savings and temporary cash investments	27.	24,890.
	47 a Accounts receivable	47a 24,699.	
	b Less: allowance for doubtful accounts	47b 13,326.	47c 11,373.
	48 a Pledges receivable	48a	
	b Less: allowance for doubtful accounts	48b	48c
	49 Grants receivable		49
	50 Receivables from officers, directors, trustees, and key employees		50
	51 a Other notes and loans receivable	51a	
	b Less: allowance for doubtful accounts	51b	51c
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges	2,700.	53 5,131.
	54 Investments - securities	<input type="checkbox"/> Cost <input type="checkbox"/> FMV	54
	55 a Investments - land, buildings, and equipment; basis	55a	
	b Less: accumulated depreciation	55b	55c
56 Investments - other		41,777. 56	
57 a Land, buildings, and equipment; basis	57a 410,090.		
b Less: accumulated depreciation Stmt 7	57b 336,194.	57c 94,963. 73,896.	
58 Other assets (describe ▶)		58	
59 Total assets (add lines 45 through 58) (must equal line 74)	195,198.	59 140,451.	
Liabilities	60 Accounts payable and accrued expenses	22,395.	60 28,992.
	61 Grants payable		61
	62 Deferred revenue	22,810.	62 21,950.
	63 Loans from officers, directors, trustees, and key employees	2,200.	63 42,573.
	64 a Tax-exempt bond liabilities		64a
	b Mortgages and other notes payable	105,577.	64b 184,004.
65 Other liabilities (describe ▶)		65	
66 Total liabilities (add lines 60 through 65)	152,982.	66 277,519.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67 Unrestricted	41,316.	67 <137,968.>
	68 Temporarily restricted	900.	68 900.
	69 Permanently restricted		69
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds		70
	71 Paid-in or capital surplus, or land, building, and equipment fund		71
	72 Retained earnings, endowment, accumulated income, or other funds		72
73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)	42,216.	73 <137,068.>	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)	195,198.	74 140,451.	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

HITS Theatre

Formerly Houston Upstairs Theatre School

74-2118224

Form 990 (2003)

Part VI Other Information		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77	X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	N/A
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt.		
81 a	Enter direct or indirect political expenditures. See line 81 instructions	81a	0.
b	Did the organization file Form 1120-POL for this year?	81b	X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)	82b	
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	N/A
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?	85a	N/A
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.	85b	N/A
c	Dues, assessments, and similar amounts from members	85c	N/A
d	Section 162(e) lobbying and political expenditures	85d	N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	N/A
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	N/A
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12	86a	N/A
b	Gross receipts, included on line 12, for public use of club facilities	86b	N/A
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders	87a	N/A
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b	N/A
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 <input type="checkbox"/> 0.; section 4912 <input type="checkbox"/> 0.; section 4955 <input type="checkbox"/> 0.		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b	X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		0.
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		0.
90 a	List the states with which a copy of this return is filed <input type="checkbox"/> TEXAS	90b	9
b	Number of employees employed in the pay period that includes March 12, 2003		
91	The books are in care of <input type="checkbox"/> Treasurer Telephone no. <input type="checkbox"/> 713-861-7408		

Located at 311 W. 18th Street, Houston, Tx

ZIP + 4 77008

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here and enter the amount of tax-exempt interest received or accrued during the tax year

92 N/A

HITS Theatre

Form 990 (2003)

Formerly Houston Upstairs Theatre School

74-2118224

Page 6

Part VII Analysis of Income-Producing Activities (See page 33 of the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a Production Admission			06	12,800.	
b Tuition					126,662.
c _____					
d _____					
e _____					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	29.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory			03	4,372.	
103 Other revenue:					
a _____					
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E))		0.		17,201.	126,662.
105 Total (add line 104, columns (B), (D), and (E))					143,863.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
▼	See Statement 9

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See page 34 of the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

I, Carolyn C Franklin, accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete information of which preparer has any knowledge.

Date 4/13/05 Type or print name and title. CAROLYN C FRANKLIN DIRECTOR

Check if Preparer's SSN or PTIN

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

OMB No 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

2003

Department of the Treasury
Internal Revenue Service

Supplementary Information-(See separate instructions.)
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization **HITS Theatre** Employer identification number
Formerly Houston Upstairs Theatre School **74 2118224**

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
None -----				

Total number of other employees paid over \$50,000 ▶	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
None -----		

Total number of others receiving over \$50,000 for professional services ▶	0	

HITS Theatre

Part III Statements About Activities (See page 2 of the instructions.)		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.) See Statement 10		
a	Sale, exchange, or leasing of property?		X
b	Lending of money or other extension of credit?		X
c	Furnishing of goods, services, or facilities?		X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? See Part V, Form 990	X	
e	Transfer of any part of its income or assets?		X
3 a	Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.) See Statement 11	X	
b	Do you have a section 403(b) annuity plan for your employees?		X
4	Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)

- The organization is not a private foundation because it is: (Please check only **ONE** applicable box.)
- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
 - 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
 - 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
 - 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
 - 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ► _____
 - 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
 - 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
 - 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
 - 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
 - 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 6 of the instructions.)

HITS Theatre

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) **Use cash method of accounting.** N/A
 Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)					
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975					
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets					
23 Total of lines 15 through 22	0.	0.	0.	0.	0.
24 Line 23 minus line 17					
25 Enter 1% of line 23					
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a N/A
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1999 through 2002 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b N/A
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c N/A
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____					26d N/A
e Public support (line 26c minus line 26d total)					26e N/A
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f N/A %
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: (2002) _____ (2001) _____ (2000) _____ (1999) _____					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2002) _____ (2001) _____ (2000) _____ (1999) _____					
c Add: Amounts from column (e) for lines: 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					27c N/A
d Add: Line 27a total _____ and line 27b total _____					27d N/A
e Public support (line 27c total minus line 27d total)					27e N/A
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)					27f N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h N/A %
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1999 through 2002, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.					

HITS Theatre

Part V Private School Questionnaire (See page 7 of the instructions.)

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	X	
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	X	
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.) <u>The school routinely publishes its nondiscriminatory policy on the Internet in its Web Page.</u>	X	
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	X	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	X	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	X	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)	X	
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?		X
b	Admissions policies?		X
c	Employment of faculty or administrative staff?		X
d	Scholarships or other financial assistance?		X
e	Educational policies?		X
f	Use of facilities?		X
g	Athletic programs?		X
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)		X
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		X
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.		X
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation	X	

HITS Theatre

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions.) **N/A**

(To be completed ONLY by an eligible organization that filed Form 5768)

Check **a** if the organization belongs to an affiliated group. Check **b** if you checked "a" and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
		N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36		
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37		
38 Total lobbying expenditures (add lines 36 and 37)	38		
39 Other exempt purpose expenditures	39		
40 Total exempt purpose expenditures (add lines 38 and 39)	40		
41 Lobbying nontaxable amount. Enter the amount from the following table -			
If the amount on line 40 is -	The lobbying nontaxable amount is -		
Not over \$500,000	20% of the amount on line 40		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	41	
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000		
Over \$17,000,000	\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42		
43 Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43		
44 Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44		

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50 on page 11 of the instructions.)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 12 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:	Yes	No	Amount
a Volunteers		X	
b Paid staff or management (Include compensation in expenses reported on lines c through h.)		X	
c Media advertisements		X	
d Mailings to members, legislators, or the public		X	
e Publications, or published or broadcast statements		X	
f Grants to other organizations for lobbying purposes		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means		X	
i Total lobbying expenditures (Add lines c through h.)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

2003 DEPRECIATION AND AMORTIZATION REPORT

Asset No	Description	Date Acquired	Method	Life	Line No	Unadjusted Cost Or Basis	Bus % Excl	* Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Amount Of Depreciation
1	Building - Program Services	Varies	SL	20.00	16	229,899.			229,899.	207,562.		11,558.
2	Building Improvements Other Building	Varies	SL	20.00	16	26,789.			26,789.	19,096.		1,346.
3	Improvements	Varies	SL	5.00	16	7,429.			7,429.	7,429.		0.
4	Property and Equipment	Varies	SL	5.00	16	39,097.			39,097.	39,172.		0.
5	Land	Varies	L			44,440.			44,440.			0.
6	Building - Management and General	Varies	SL	20.00	16	12,100.			12,100.	10,924.		605.
7	New Water Fountain	0726	99SL	5.00	16	724.			724.	580.		144.
8	Garage Door	0821	99SL	5.00	16	750.			750.	488.		150.
9	Computer Equipment	0830	99SL	5.00	16	639.			639.	416.		128.
10	Software	0901	99SL	5.00	16	235.			235.	157.		47.
11	Computer Network	0901	99SL	5.00	16	205.			205.	137.		41.
12	Computer Desk	0923	99SL	5.00	16	254.			254.	170.		51.
13	Software	0923	99SL	5.00	16	85.			85.	57.		17.
14	Computer Desk Piece	1011	99SL	5.00	16	98.			98.	68.		20.
15	MAC O/S 8.5	1011	99SL	5.00	16	151.			151.	103.		30.
16	Utility Software	1018	99SL	5.00	16	331.			331.	226.		66.
17	DVD Drive & Software	1101	99SL	5.00	16	963.			963.	675.		193.
18	Laser Printer	0302	00SL	5.00	16	1,850.			1,850.	1,172.		370.

2003 DEPRECIATION AND AMORTIZATION REPORT

Asset No	Description	Date Acquired	Method	Life	Line No	Unadjusted Cost Or Basis	Bus % Excl	* Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Amount Of Depreciation
19	Clothes Racks	032200	SL	5.00	16	119.			119.	76.		24.
20	Computer Equipment	041200	SL	5.00	16	65.			65.	40.		13.
21	TV/VCR	042500	SL	5.00	16	164.			164.	102.		33.
22	New Hard Drive	051000	SL	5.00	16	270.			270.	162.		54.
23	Replace A/C Unit in Back	051900	SL	5.00	16	2,700.			2,700.	1,620.		540.
24	Software/Hardware	052400	SL	5.00	16	1,003.			1,003.	603.		201.
25	Cables	052600	SL	5.00	16	28.			28.	18.		6.
26	Processor Upgrade	052600	SL	5.00	16	351.			351.	210.		70.
27	RAM - Studio Computer	053000	SL	5.00	16	358.			358.	216.		72.
28	CD-RW Burners	062300	SL	5.00	16	394.			394.	230.		79.
29	Computer Parts	072400	SL	5.00	16	47.			47.	26.		9.
30	Organizers	081400	SL	5.00	16	279.			279.	158.		56.
31	RAM-New iMacs	083000	SL	5.00	16	274.			274.	156.		55.
32	Inside Unit P&M Heating	091400	SL	5.00	16	2,003.			2,003.	1,102.		401.
33	Computers	100200	SL	5.00	16	3,072.			3,072.	1,638.		614.
34	CD Burner	101100	SL	5.00	16	411.			411.	219.		82.
35	Phone Equipment	101200	SL	5.00	16	580.			580.	309.		116.
36	Computer Desk	102400	SL	5.00	16	417.			417.	222.		83.

2003 DEPRECIATION AND AMORTIZATION REPORT

Asset No	Description	Date Acquired	Method	Life	Line No	Unadjusted Cost Or Basis	Bus % Excl	* Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Amount Of Depreciation
37	Printer	121200	SL	5.00	16	499.			499.	250.		100.
38	Shelves	010901	SL	5.00	16	257.			257.	123.		51.
39	Refrigerators	010901	SL	5.00	16	270.			270.	131.		54.
40	Cabinet/typewriter	013101	SL	5.00	16	259.			259.	126.		52.
41	Sewing Machine	117700	SL	5.00	16	700.			700.	362.		140.
42	Improvements	Varies	SL	5.00	16	638.			638.	638.		0.
43	Parmer exp rpt	061096	SL	6.00	16	146.			146.	146.		0.
44	Computer	051597	SL	5.00	16	5,269.			5,269.	5,269.		0.
45	Air conditioning unit	060997	SL	5.00	16	1,748.			1,748.	1,748.		0.
46	Computer software	061597	SL	5.00	16	314.			314.	314.		0.
47	Theatre seats	021298	SL	5.00	16	225.			225.	225.		0.
48	Music software	070198	SL	5.00	16	284.			284.	275.		5.
49	Computer-PowerMac & Mo	070198	SL	5.00	16	1,783.			1,783.	1,725.		30.
50	Phone equipment	072998	SL	5.00	16	169.			169.	164.		5.
51	Software	091498	SL	5.00	16	95.			95.	89.		6.
52	Printer	081798	SL	5.00	16	170.			170.	162.		8.
53	Office Chair	091498	SL	5.00	16	182.			182.	169.		9.
54	Music Equipment	100298	SL	5.00	16	2,416.			2,416.	2,214.		161.

2003 DEPRECIATION AND AMORTIZATION REPORT

Form 990 Page 2

990

Asset No	Description	Date Acquired	Method	Life	Line No	Unadjusted Cost Or Basis	Bus % Excl	* Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Amount Of Depreciation
55	Music Equipment	101298	SL	5.00	16	407.			407.	372.		27.
56	Installation	022799	SL	5.00	16	66.			66.	55.		11.
57	Computer	091801	SL	5.00	16	800.			800.	267.		160.
58	Computer	021802	SL	5.00	16	2,200.			2,200.	550.		440.
59	PIANO	091401	SL	5.00	16	5,000.			5,000.	1,750.		1,005.
60	Software	082301	SL	5.00	16	6,256.			6,256.	2,189.		1,258.
61	Rounding	053102		.000	16							0.
62	POWER MAX 503-6241827	060302	SL	5.00	16	1,363.			1,363.	273.		273.
	* Total 990 Page 2					410,090.		0.	410,090.	315,125.	0.	21,069.
	Depr											

Form 990	Income and Cost of Goods Sold Included on Part I, Line 10	Statement	1
----------	--	-----------	---

Income

1. Gross receipts	8,607		
2. Returns and allowances			
3. Line 1 less line 2			8,607
4. Cost of goods sold (line 13)	4,235		
5. Gross profit (line 3 less line 4)			4,372

Cost of Goods Sold

6. Inventory at beginning of year			
7. Merchandise purchased	4,235		
8. Cost of labor			
9. Materials and supplies			
10. Other costs			
11. Add lines 6 through 10			4,235
12. Inventory at end of year			
13. Cost of goods sold (line 11 less line 12). .			4,235

Form 990	Other Changes in Net Assets or Fund Balances	Statement	2
<u>Description</u>		<u>Amount</u>	
Prior year audit adjustments		<39,260.>	
Unrealized gain on investments		8,583.	
Total to Form 990, Part I, line 20		<30,677.>	

Form 990	Other Expenses			Statement	3
<u>Description</u>	(A) <u>Total</u>	(B) <u>Program Services</u>	(C) <u>Management and General</u>	(D) <u>Fundraising</u>	
Royalties	6,828.	6,828.			
Sets & Props	9,662.	9,662.			
Costumes	11,451.	11,451.			
Advertising	16,718.	16,718.			
Insurance	5,250.	5,250.			
Workers Comp	2,853.	2,853.			
Miscellaneous	176.	176.			
Professional Fees	62,170.	62,170.			
Credit Card Discount	2,508.	2,508.			
Other Fundraising Expenses	216.	216.			
Transportation	135.	135.			
Advertising	258.		258.		
Insurance					
Workers Comp	1,568.		1,568.		
Miscellaneous	543.		543.		
Equipment	2,028.		2,028.		
Lease/Repair	3,463.		3,463.		
Education	816.		816.		
Professional Fees	6,845.		6,845.		
Public Relations	350.		350.		
Other Fundraising Expenses	433.		433.		
Other Fundraising Expenses	20,977.			20,977.	
Credit Card Discount	1,537.			1,537.	
Nondeductible Penalties	487.		487.		

Bad Debt Expense	13,326.	13,326.		
Total to Fm 990, ln 43	170,598.	131,293.	16,791.	22,514.

Form 990 Statement of Organization's Primary Exempt Purpose Statement 4
Part III

Explanation

Educational, cultural, and civic development of professional-level theatre and training school for children, enrich lives and develop talents of those who participate, to enhance the cultural climate for children in Houston, provide professional-level training, and establish an outlet for young performers practice their skills.

Form 990 Statement of Program Service Accomplishments Statement 5

Description of Program Service One

Achievement: Develop a professional-level theatre training school for children. Theatre school operations provide after school and summer activities for students ages 4 to 22. Over 375 students were served, of whom 28% received scholarships. There were 12 production classes and 1 class without a production. There were 23 performances by the students.

	Grants	Expenses
To Form 990, Part III, line a		179,219.

Form 990 Statement of Program Service Accomplishments Statement 6

Description of Program Service Two

Achievement: To enhance the cultural climate for children in Houston, with free productions. Over 13,000 audience members attended free productions of Carnival involving 80 cast members, 18 professional musicians as well as 10 other theatre professionals.

	Grants	Expenses
To Form 990, Part III, line b		229,604.

Form 990 Depreciation of Assets Not Held for Investment Statement 7

Description	Cost or Other Basis	Accumulated Depreciation	Book Value
Building - Program Services	229,899.	219,120.	10,779.
Building Improvements	26,789.	20,442.	6,347.
Other Building Improvements	7,429.	7,429.	0.
Property and Equipment	39,097.	39,172.	<75.>
Land	44,440.	0.	44,440.
Building - Management and General	12,100.	11,529.	571.
New Water Fountain	724.	724.	0.
Garage Door	750.	638.	112.
Computer Equipment	639.	544.	95.
Software	235.	204.	31.
Computer Network	205.	178.	27.
Computer Desk	254.	221.	33.
Software	85.	74.	11.
Computer Desk Piece	98.	88.	10.
MAC O/S 8.5	151.	133.	18.
Utility Software	331.	292.	39.
DVD Drive & Software	963.	868.	95.
Laser Printer	1,850.	1,542.	308.
Clothes Racks	119.	100.	19.
Computer Equipment	65.	53.	12.
TV/VCR	164.	135.	29.
New Hard Drive	270.	216.	54.
Replace A/C Unit in Back	2,700.	2,160.	540.
Software/Hardware	1,003.	804.	199.
Cables	28.	24.	4.

HITS Theatre Formerly Houston Upstairs

74-2118224

Processor Upgrade	351.	280.	71.
RAM - Studio Computer	358.	288.	70.
2 CD-RW Burners	394.	309.	85.
Computer Parts	47.	35.	12.
Organizers	279.	214.	65.
RAM-New iMacs	274.	211.	63.
Inside Unit P&M Heating	2,003.	1,503.	500.
3-Computers	3,072.	2,252.	820.
CD Burner	411.	301.	110.
Phone Equipment	580.	425.	155.
Computer Desk	417.	305.	112.
Printer	499.	350.	149.
Shelves	257.	174.	83.
Refrigerators	270.	185.	85.
Cabinet/typewriter	259.	178.	81.
Sewing Machine	700.	502.	198.
Improvements	638.	638.	0.
Parmer exp rpt	146.	146.	0.
Computer	5,269.	5,269.	0.
Air conditioning unit	1,748.	1,748.	0.
Computer software	314.	314.	0.
Theatre seats	225.	225.	0.
Music software	284.	280.	4.
Music Computer-PowerMac & Monitor	1,783.	1,755.	28.
Phone equipment	169.	169.	0.
Software	95.	95.	0.
Printer	170.	170.	0.
Office Chair	182.	178.	4.
Music Equipment	2,416.	2,375.	41.
Music Equipment	407.	399.	8.
Installation	66.	66.	0.
Computer	800.	427.	373.
Computer	2,200.	990.	1,210.
PIANO	5,000.	2,755.	2,245.
Software	6,256.	3,447.	2,809.
POWER MAX 503-6241827 OR	1,363.	546.	817.
Total to Form 990, Part IV, ln 57	410,090.	336,194.	73,896.

Form 990

Part V - List of Officers, Directors,
Trustees and Key Employees

Statement 8

Name and Address	Title and Avg Hrs/Wk	Compen- sation	Employee Ben Plan Contrib	Expense Account
Bill Hargrove 311 West 18th Street Houston, TX 77008	President Part	0.	0.	0.
Beth Proctor 311 West 18th Street Houston, TX 77008	VP Events Part	0.	0.	0.
Jerre Williams 311 West 18th Street Houston, TX 77008	VP Development Part	0.	0.	0.
Deidre Grawl 311 West 18th Street Houston, TX 77008	Treasurer Part	0.	0.	0.
Carolyn Franklin 311 West 18th Street Houston, TX 77008	Executive Director Full	47,450.	0.	0.
Nancie Craft 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
G. Michael Wilson 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Joshua Samuels 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Janet Blair Bou-Chebl 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Leslie Stanke 311 West 18th Street Houston, TX 77008	Secretary Part	0.	0.	0.
Deborah Stavis 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.

HITS Theatre Formerly Houston Upstairs

74-2118224

Caroline Quan Long 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Greg Robertson 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Kate Robertson 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Marc Shellum 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Steve Busby 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Carol Swanson 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Eileen o'Neill 311 West 18th Street Houston, TX 77008	Director Part	0.	0.	0.
Totals Included on Form 990, Part V		47,450.	0.	0.

Form 990 Part VIII - Relationship of Activities to Statement 9
Accomplishment of Exempt Purposes

Line Explanation of Relationship of Activities

93 The activities included classes in musical theatre for children ages 6 to 22 and theatrical productions. Classes and productions are important to advancing the mission and exempt purposes of the organization through development of a professional-level theatre company and training school for children, and enrichment of the lives and development of the talents of all who participate.

Schedule A	Statement Regarding Activities with Substantial Contributors, Trustees, Directors, Creators, Key Employees, Etc., Part III, Line 2	Statement 10
------------	---	--------------

Organization has made payments for compensation to a full-time employee-director to compensate for work performed.

Schedule A	Explanation of Qualifications to Receive Payments Part III, Line 3	Statement 11
------------	---	--------------

Recipients are determined based on financial need and talent.

Depreciation and Amortization 990
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number

HITS Theatre

Formerly Houston Upstairs Theatre School Form 990 Page 2

74-2118224

Part I Election To Expense Certain Tangible Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses	100,000.
2	Total cost of section 179 property placed in service (see instructions)	
3	Threshold cost of section 179 property before reduction in limitation	400,000.
4	Reduction in limitation Subtract line 3 from line 2. If zero or less, enter -0-	
5	Dollar limitation for tax year Subtract line 4 from line 1. If zero or less, enter -0- If married filing separately, see instructions	
6	(a) Description of property	(b) Cost (business use only)
		(c) Elected cost
7	Listed property. Enter the amount from line 29	7
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8
9	Tentative deduction. Enter the smaller of line 5 or line 8	9
10	Carryover of disallowed deduction from line 13 of your 2002 Form 4562	10
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12
13	Carryover of disallowed deduction to 2004. Add lines 9 and 10, less line 12	13

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14
15	Property subject to section 168(f)(1) election (see instructions)	15
16	Other depreciation (including ACRS) (see instructions)	21,069.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2003	17
18	If you are electing under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>	

Section B - Assets Placed in Service During 2003 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property	/		27.5 yrs.	MM	S/L	
	/		27.5 yrs.	MM	S/L	
i Nonresidential real property	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2003 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year	/		40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)
Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use							25	
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

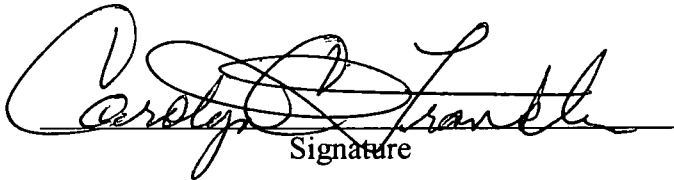
Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2003 tax year:					
43 Amortization of costs that began before your 2003 tax year					43
44 Total. Add amounts in column (f). See instructions for where to report					44

Under penalties of perjury, I declare that the attached copy of the Articles of Amendment to the Articles of Incorporation of HITS Theatre is a true and accurate copy.


Signature

Date 4/13/05

**ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION**

Pursuant to the provisions of Article 4.03 of the Texas Non-Profit Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation which:

Change the name of the corporation.

ARTICLE ONE

The name of the corporation is **HOUSTON UPSTAIRS THEATRE SCHOOL.**

ARTICLE TWO

The following amendment to the Articles of Incorporation was adopted by the corporation on August 20, 2004.

Article One, Name, of the Articles of Incorporation is hereby amended to change the name of the corporation as follows:

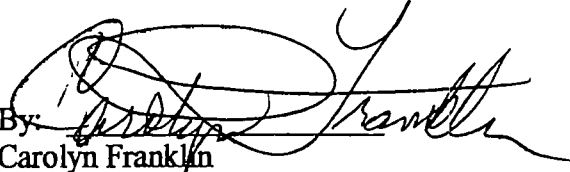
"The name of the Corporation is **"HITS THEATRE ."**

ARTICLE THREE

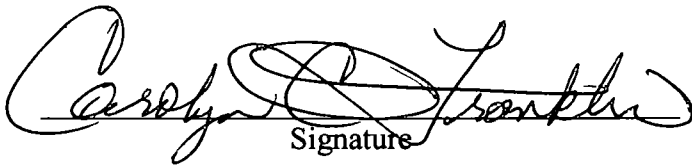
The amendment was adopted in the following manner:

The amendment was adopted at a meeting of the board of directors held on August 20, 2004 and received the vote of a majority of the directors in office, there being no members having voting rights in respect thereof.

Dated August 26, 2004.

By: 
Carolyn Franklin
Title: Executive Director, Board of
Directors

Under penalties of perjury, I declare that the attached copy of the By-laws of HITS Theatre is a true and accurate copy.


Signature

Date 4/13/05

HITS THEATRE
By-Laws

ARTICLE I - Name

The name of this organization as stated in its charter shall be HITS Theatre.

ARTICLE II - Purposes

The purposes of this organization shall be educational, cultural and civic, and shall include the following:

- A) to provide professional-level training in acting, dance, singing, music, technical theatre and media by the finest professional staff available.
- B) to enrich the lives and develop the talents of all those who participate in the school and theatre.
- C) to enhance the cultural climate for children in the city of Houston.
- D) to establish an outlet for young performers to practice their skills. High-quality training serves all talent levels because it teaches excellence and the discipline required to achieve it. Less talented are guided to higher levels because more is asked of them.
- E) Notice of Non-Discriminatory Policy as to students:

The Houston Upstairs Theatre School admits students of any race, color, national and/or ethnic origin to all the rights, privileges, programs and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national and/or ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school administered programs.

This organization shall be operated exclusively for educational purposes as that term is used in section 501 (c) (3) of the Internal Revenue Code and its regulations as they now exist or as they may hereafter be amended. This organization may promote said purposes either directly or by contributions to organizations under section 501 (c) (3) of the Internal Revenue Code and its regulations.

ARTICLE III - Members

The organization shall have no members.

ARTICLE IV - Board of Directors

- A) General Powers. The affairs of the Corporation shall be managed by its Board of Directors.

B) Number, Election, Term of Office. The initial Board of Directors shall consist of not more than twelve (12) Directors, one of which will be the Executive Director. The Directors shall agree to serve at least a two-year term. At the end of the first year, not more than twelve (12) additional Directors shall be elected by simple majority for two-year terms. Thus, there shall be a maximum of twenty-four (24) Directors on rotating two-year terms.

C) Meetings. The full Board shall meet at least twice a year at meetings called by the President of the Board. Notification of the meetings and the meeting agenda shall be sent to each Board Member at least ten (10) days prior to the meeting. Although any issue may be discussed at the meeting, only those items appearing on the published agenda may be voted upon. Therefore, any member desiring a Board vote must submit the agenda item to the President at least two weeks before the meeting.

The Executive Committee, consisting of the President, the Vice-President(s), the Secretary, the Treasurer, and the Executive Director, shall meet at least two (2) times per year, with full minutes of this meeting to be given to each Board Member within two (2) weeks of the meeting.

D) Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President, Executive Director, or any three Directors by written notice at least five days prior to the meeting. The five day notice may be dispensed with by the President or the Executive Director in an emergency situation.

E) Quorum. A quorum of a majority of the Directors must be present in order to conduct business of the school.

F) Vacancies. Any vacancy occurring on the Board of Directors or among its Officers shall be filled by an election for the unexpired term of the vacating Board Member by a simple majority of at least two-thirds of the Board.

G) Termination of a Board Member . The Board of Directors, by affirmative vote of a majority of all the members of the Board, may suspend or expel a Board Member with or without cause whenever in its opinion the best interests of the Corporation are served thereby.

H) Resignation. Any member of the Board of Directors may resign by filing a written resignation with the Secretary, but such resignation shall not relieve the member so resigning of the obligation to pay any dues, assessments or other charges therefore accrued and unpaid.

I) Compensation. No Director or Officer of the organization, except in the case of the Executive Director, shall receive directly or indirectly, any salary, compensation or emolument therefrom in his or her capacity as an Officer or Director.

J) Indemnification of Directors and Officers. The Corporation shall indemnify Trustees, Directors, Advisory Directors, Officers, and Employees to the fullest extent required by Article 222A of the Texas Nonprofit Corporation Act, subject in each case to restrictions, if any, in the Articles of Incorporation.

K) Parliamentary Procedures. Parliamentary Authority, Roberts Rules of Order, Newly Revised shall be the authority in all proceedings covered by these By-laws.

ARTICLE V - Officers

A) Election, Term of Office of Officers. The Officers of the Board of Directors, except the Executive Director, shall be elected annually, by the Board of Directors either by mail ballot in May or at a meeting to be called in May each year. The term of the new Officers shall begin June 1 and expire on May 31 of the following year.

B) Removal. Any Officer may be removed by a vote of the majority of the Board of Directors then in office.

C) President (or Chairperson). The President shall be the principal Executive Officer of the organization and shall have the general supervision of the affairs of the organization. The President shall preside at meetings, prepare and publish agendas. He or she may sign, with the Executive Director, in the name of the organization all contracts and documents authorized either generally or specifically by the Board. The President shall perform such other duties as shall be from time to time assigned to him or her by the Board of Directors.

D) Vice-President(s) (or Vice-Chairperson(s)). The Vice-President(s) shall have such powers and duties as may be assigned to them by the President of the Board of Directors. In the absence of the President the Vice-President(s) shall, in general, perform the duties of the President, unless an Executive Director shall have been appointed and charged with the obligation of performing such duties.

E) Secretary (Records Assistant). The Secretary shall attend all Board meetings and shall keep detailed minutes of such meetings. Within two (2) weeks of each meeting the Secretary shall prepare and duplicate copies of the minutes and mail them to each Board Member. Minutes are then approved or amended at the following Board Meeting.

F) Treasurer. The Treasurer shall be informed on all financial matters of the Corporation. The Treasurer shall prepare statements to be reported at the Board meetings.

G) Executive Director. The Board of Directors shall appoint an Executive Director to handle and carry out the day to day operations of the organization, subject to the control and supervision of the Board of Directors. He or she shall have all the powers of and

shall be subject to all restrictions upon the President. The Executive Director shall perform such other duties as may from time to time be assigned to him or her by the President or the Board of Directors. The Executive Director shall keep the Board of Directors informed, through the Officers, of the progress and development of the school. The Executive Director shall provide the Board with artistic expertise and leadership in the shaping of future policies and new directions for the school. The Executive Director shall be appointed for not less than a three-year term and may be reappointed for an unspecified number of consecutive terms with two-thirds approval vote of the Board of Directors.

ARTICLE VI - Committees

Committees shall be formed and appointed by the President and/or the Executive Director as needs arise to serve specific purposes or accomplish specific tasks. In the case of a Nominating Committee, the President shall appoint, at the March meeting, a committee of three with one to serve as the committee head, to prepare a slate of officers to be voted upon at the special May meeting called for that express purpose. At all committee meetings, one member shall be selected to record the transactions of the meeting in the form of minutes and to distribute copies of those minutes to the President, Executive Director and committee members within two (2) weeks after the meeting.

ARTICLE VII - Office and Books

The office of the organization shall be located at 311 W. 18th St., Houston, Texas as of June 1984. There shall be kept at the office of the organization correct books of account of the activities and transactions of the organization, including a minutes book which shall contain a copy of the Articles of Incorporation, a copy of these By-laws and all minutes of the Board of Directors.

ARTICLE VIII - Contracts, Checks, Donations

A) Contracts. The Board of Directors may authorize any Officer or Officers, agent or agents of the organization in addition to the Officers so authorized by these By-laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the organization, and such authority may be general or confined to specific instances.

B) Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the organization shall be signed by such Officer or Officers, agent or agents as shall be determined by the Board of Directors. In the absence of such determination such instruments shall be signed by the Treasurer, President or Executive Director.

C) Donations. All monetary donations to this organization shall be added to the general operating funds to be used as the Executive Director and the Board deem necessary to meet the needs of the school and its activities. Monetary donations may be directed to serve a specific purpose, such as scholarship funds. Any donation to the school of

equipment, supplies, costumes, sets or other material goods shall not entitle the donor or donor's children to any special privilege or priority. Donated goods become the property of the school. In the event of the dissolution of the school, the donated goods shall be dispersed in accordance with the provisions of the nonprofit regulations, and shall not accrue to the benefit of any individual.

ARTICLE IX - Assets

All property of the organization shall be held and administered to carry out its purposes. If any funds are received in any current year over the current liabilities, these funds shall be held in the treasury of the school to be applied to the budget of the next year. In case of liquidation or dissolution, whether voluntary or involuntary, the assets of the school shall be distributed to another nonprofit organization in a manner directed by the purposes for which the school is formed and within the framework of the applicable Internal Revenue Code.

ARTICLE X - Amendments

Amendments to these By-laws may be made by a vote of two-thirds of the elected Directors. All resolutions to amend the By-laws must be on the agenda prior to a meeting and voted on with a quorum present. In the absence of a required quorum, a mail ballot may be requested by any three Directors. Such a mail ballot will include the current By-law and the proposed amendment, and will be sent to each Director at his or her address of record. All ballots will be required to be returned within ten (10) days of initial postmark. In such mail ballots, a simple majority of those voting will constitute passage of an amendment.

- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** and check this box **X**
- Note: Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.**
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II Additional (not automatic) 3-Month Extension of Time - Must file Original and One Copy.		
Type or print.	Name of Exempt Organization HITS Theatre Formerly Houston Upstairs Theatre School	Employer identification number 74-2118224
File by the extended due date for filing the return See instructions	Number, street, and room or suite no. If a P.O. box, see instructions. 311 West 18th	For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Houston, TX 77008	

Check type of return to be filed (File a separate application for each return):

- | | | | | | |
|--|--------------------------------------|--|--------------------------------------|------------------------------------|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 5227 | <input type="checkbox"/> Form 8870 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 4720 | <input type="checkbox"/> Form 6069 | |

STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____ . If this is for the **whole** group, check this box . If it is for **part** of the group, check this box and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until April 15, 2005

5 For calendar year _____ , or other tax year beginning JUN 1, 2003 and ending MAY 31, 2004

6 If this tax year is for less than 12 months, check reason: Initial return Final return Change in accounting period

7 State in detail why you need the extension
Additional time is needed to gather information to prepare a complete and accurate return.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ _____

b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ _____

c **Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ _____ **N/A**

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature Title Date

Notice to Applicant - To Be Completed by the IRS

- We have approved this application. Please attach this form to the organization's return.
- We have not approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return.
- We have not approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting the 10-day grace period.
- We cannot consider this application because it was filed after the due date of the return for which an extension was requested.
- Other _____

Director _____ By: _____ Date _____

Alternate Mailing Address - Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

Type or print	Name Buffington & Company, P. C.
	Number and street (include suite, room, or apt. no.) Or a P.O. box number 12012 Wickchester Ln, Ste 430
	City or town, province or state, and country (including postal or ZIP code) Houston, TX 77079-1228