

**THE ART OF ELYSIUM
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

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G T L LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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To the Board of Directors of
THE ART OF ELYSIUM
Los Angeles, California

We have reviewed the accompanying statements of financial position of The Art of Elysium (the "Organization") (a California nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Organization.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

GTL, LLP.

February 1, 2010

THE ART OF ELYSIUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Current Assets		
Cash	\$ 361,851	\$ 406,472
Pledges Receivable	48,200	-
	410,051	406,472
Property and Equipment, net	100,799	5,054
Contributed Artwork	4,304,305	4,250,005
Deposits	10,000	-
	4,415,104	4,255,059
	\$ 4,825,155	\$ 4,661,531

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 113,881	\$ 69,407
	113,881	69,407
Net Assets		
Unrestricted	4,675,241	4,592,124
Temporarily restricted	36,033	-
	4,711,274	4,592,124
	\$ 4,825,155	\$ 4,661,531

See accompanying independent accountants' review report and notes to financial statements.

THE ART OF ELYSIUM
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Changes in Unrestricted Net Assets		
Revenue, Gains and Support		
Contributions	\$ 947,218	\$ 459,936
Grants	71,170	39,500
Net gain(loss) on sale of artwork	(36,810)	23,793
Proceeds from fundraising events, net of direct benefit costs of \$993,322 and \$158,266 for 2008 and 2007, respectively	58,758	470,173
In-kind contributions	258,299	425,105
Interest	<u>27</u>	<u>-</u>
	<u>1,298,662</u>	<u>1,418,507</u>
Expenses		
Program services	686,283	609,968
Management and general	259,752	54,844
Fundraising	<u>269,509</u>	<u>137,788</u>
	<u>1,215,544</u>	<u>802,600</u>
Increase in Unrestricted Net Assets	83,118	615,907
Change in Temporarily Restricted Net Assets		
Contributions	<u>36,033</u>	<u>-</u>
Changes in Net Assets	119,151	615,907
Net Assets, beginning of year	<u>4,592,123</u>	<u>3,976,216</u>
Net Assets, end of year	<u>\$ 4,711,274</u>	<u>\$ 4,592,123</u>

See accompanying independent accountants' review report and notes to financial statements.

THE ART OF ELYSIUM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 119,151	\$ 615,907
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	5,322	2,104
Contributed artwork	(203,085)	(425,105)
(Gain)loss on sale of artwork	36,810	(23,793)
Donated equipment	(28,410)	-
(Increase) decrease in operating assets:		
Pledges receivable	(48,200)	-
Deposits	(10,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	44,474	(6,143)
Net cash (used) provided by operating activities	<u>(83,938)</u>	<u>162,970</u>
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(72,658)	(1,848)
Proceeds from sale of artwork	<u>111,975</u>	<u>128,893</u>
Net cash provided by investing activities	<u>39,317</u>	<u>127,045</u>
Net (Decrease) Increase in Cash	(44,621)	290,015
Cash, beginning of year	<u>406,472</u>	<u>116,457</u>
Cash, end of year	<u>\$ 361,851</u>	<u>\$ 406,472</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended December 31, 2008, the Organization received donated computer equipment, which was capitalized at its fair value of \$28,410.

See accompanying independent accountants' review report and notes to financial statements.

THE ART OF ELYSIUM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 - NATURE OF OPERATIONS

The Art of Elysium (the "Organization") is a California nonprofit organization incorporated on February 11, 1998. Its primary purpose is to engage professional actors, artists, and musicians to voluntarily provide quality arts experiences to emotionally fragile children battling serious medical conditions. In turn, the Organization assists in advancing the work of select new artists who volunteer by facilitating exhibitions and producing monthly talent showcases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Includes contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Temporarily Restricted Net Assets - Includes grants and contributions received that are temporarily restricted with respect to use by the donor or grantor or time restricted if not yet collected. When the conditions of the restrictions are met or expire or the pledges receivable are collected, the net assets of this class are reclassified to unrestricted net assets. Restricted contributions received are reported as unrestricted revenue if the restriction is met in the same reporting period. At December 31, 2008, the Organization had \$36,033 of temporarily restricted net assets for the "Kids Clicking Kids" and the "Jacques" programs. At December 31, 2007, there were no temporarily restricted net assets.

Permanently Restricted Net Assets - Includes assets that have been restricted by the donor in perpetuity and cannot be expended by the Organization. The Organization has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

See accompanying independent accountants' review report.

THE ART OF ELYSIUM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Concentrations

Occasionally, the Organization's bank balances exceed the FDIC-insured limit of \$100,000. The Organization has not experienced and does not anticipate any losses relating to cash held in these accounts.

Tax Status

The Organization is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and corresponding state provisions.

In July 2006, Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 48, Accounting for Uncertainty in Income Taxes ("FIN48") was issued. Under FIN48, an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. The FASB has granted nonpublic organizations the election to defer the effective date for implementation of FIN48 to years beginning after December 15, 2008. Management has elected to defer the application of FIN48 and will continue to evaluate its tax positions using the guidance of FASB Statement No. 5, Accounting for Contingencies.

Cash

The Organization considers all financial instruments purchased with original maturity of three months or less to be cash equivalents. There were no cash equivalents on hand.

Property and Equipment

Property and equipment is recorded net of accumulated depreciation and amortization. Donated items are recorded at estimated fair value when received. The Company uses straight line and accelerated methods of depreciation over the estimated useful lives of the respective assets. Leasehold improvements are amortized straight line over the term of the lease or the life of improvements, whichever is less. The estimated useful lives are as follows:

Computer Equipment	3 years
Office Equipment	5 years
Leasehold Improvements	10 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

See accompanying independent accountants' review report.

THE ART OF ELYSIUM
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 3 - MAJOR REVENUE SOURCES

For the year ended December 31, 2008 the majority of the Organization's revenue sources was derived as follows: 43% from fundraising events; 40% from contributions; and 8% from in-kind contributed artwork. For the year ended December 31, 2007, the majority of the Organization's revenue sources was derived as follows: 35% from contributions; 36% from fundraising events; and 23% from in-kind contributed artwork.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2008	2007
Computer Equipment	\$ 32,659	\$ 4,249
Furniture and equipment	52,702	3,692
Leasehold improvements	23,647	-
	109,008	7,941
Accumulated depreciation/amortization	(8,209)	(2,887)
	\$ 100,799	\$ 5,054

Depreciation/amortization expense for the years ended December 31, 2008 and 2007 was \$5,322 and \$2,104, respectively.

NOTE 5 - IN-KIND CONTRIBUTED ARTWORK

The Organization at times receives contributions of artwork, which are measured at "fair value", capitalized and reported in the period received. Such fair value is its estimated selling price. Input for measuring fair value is obtained from the respective creative artist, published catalogs, vendors, independent appraisals, and other sources. Upon the sales of the artwork, the difference between the selling price and its carrying costs plus any other costs of the sale, is reported as net gains or losses on sale of artwork.

See accompanying independent accountants' review report.

THE ART OF ELYSIUM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 6 - CONTRIBUTED SERVICES

Contributed services are only recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended December 31, 2008 and 2007, the Organization received donated rental office space, but the fair value of this contribution could not be ascertained.

See accompanying independent accountants' review report.