

*Reviewed Financial Statements and Independent Accountants' Report*

**THE ART OF ELYSIUM**

Year Ended December 31, 2015

# THE ART OF ELYSIUM

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## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of  
The Art of Elysium

We have reviewed the accompanying financial statements of The Art of Elysium (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

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

*Gerber & Co. Inc.*

Gerber & Co., Inc.  
Los Angeles, California  
November 29, 2017

**THE ART OF ELYSIUM**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

Cash	\$	300,777
Pledges and grants receivable		451,700
Other receivable		17,214
Prepaid expenses		91,644
Film production costs, net		98,678
Contributed artwork, net		599,899
Property and equipment, net		178,073
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,737,985</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Line of credit	\$	100,000
Accounts payable		85,543
Payroll tax payable		7,144
Loan payable		14,800
Due to officer		43,338
Deferred special event revenue		1,097,914
Due to board members		275,000
<b>TOTAL LIABILITIES</b>		<b><u>1,623,739</u></b>

**COMMITMENTS AND CONTINGENCIES**

**NET ASSETS**

Unrestricted	(994,421)
Temporarily restricted	1,108,667
<b>TOTAL NET ASSETS</b>	<b><u>114,246</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>1,737,985</u></b>
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See accompanying independent accountants' report and notes to financial statements.

**THE ART OF ELYSIUM  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions	\$ 849,189	\$ 15,773	\$ 864,962
Grants	28,590	-	28,590
Special events	-	842,894	842,894
Program income	40,000	-	40,000
Contributed artwork	81,751	-	81,751
In-kind contributions	54,650	-	54,650
Interest income	11	-	11
Net assets released from restrictions	1,117,997	(1,117,997)	-
<b>Total revenue and other support</b>	<u>2,172,188</u>	<u>(259,330)</u>	<u>1,912,858</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	1,347,834	-	1,347,834
Fundraising	452,423	-	452,423
Administration	318,983	-	318,983
<b>Total expenses</b>	<u>2,119,240</u>	<u>-</u>	<u>2,119,240</u>
<b>Increase / (decrease) in net assets</b>	52,948	(259,330)	(206,382)
<b>NET ASSETS, December 31, 2014</b>	<u>(1,047,369)</u>	<u>1,367,997</u>	<u>320,628</u>
<b>NET ASSETS, December 31, 2015</b>	<u>\$ (994,421)</u>	<u>\$ 1,108,667</u>	<u>\$ 114,246</u>

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

**THE ART OF ELYSIUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Art salon dinners	\$ 23,576	\$ -	\$ -	\$ 23,576
Artist and performer fees	15,000	-	-	15,000
Bank and credit card fees	133	23,882	13,155	37,170
Cleaning and maintenance	14,383	5,857	4,369	24,609
Conferences and meetings	4,476	4,980	1,922	11,378
Depreciation	-	-	100,650	100,650
Insurance	41	-	6,900	6,941
Legal and professional	11,801	-	74,554	86,355
Marketing and promotion	11,474	15,039	3,777	30,290
Office expense	8,108	1,518	7,257	16,883
Office rent	108,051	34,120	7,551	149,722
Other	3,974	3,362	5,784	13,120
Outside services	25,054	11,166	8,874	45,094
Payroll & benefits	490,320	235,749	76,218	802,287
Payroll service fees	9,645	6,101	2,251	17,997
Program - other	16,918	-	-	16,918
Program supplies	10,533	-	-	10,533
Special Events				
Catering	17,057	3,010	-	20,067
Equipment and location rental	7,525	1,328	-	8,853
Outside services	9,745	1,720	-	11,465
Planning & production	415,986	73,409	-	489,395
Press & public relations	10,838	1,913	-	12,751
Printing & reproduction	67,213	11,861	-	79,074
Special events travel	2,772	489	-	3,261
Other	40,379	7,126	-	47,505
Telephone	14,107	4,288	4,966	23,361
Travel	8,725	5,505	755	14,985
<b>Total expenses</b>	<b>\$ 1,347,834</b>	<b>\$ 452,423</b>	<b>\$ 318,983</b>	<b>\$ 2,119,240</b>

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

**THE ART OF ELYSIUM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (206,382)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	100,650
Allowance for artwork	(131,290)
(Increase)/decrease in operating assets:	
Pledges receivable	292,325
Contributed artwork	13,710
Prepaid expenses	132,272
Increase/(decrease) in liabilities:	
Accounts payable	69,413
Deferred special event revenue	(208,780)
Due to board members	5,000
<b>Net cash provided by operating activities</b>	<u>66,918</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisition of property and equipment	<u>(45,835)</u>
<b>Net cash used for investing activities</b>	<u>(45,835)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Line of credit advances	60,000
Line of credit repayments	(30,000)
Loan payable advance	<u>14,800</u>
<b>Net cash used for investing activities</b>	<u>44,800</u>
<b>Increase/(decrease) in cash</b>	65,883
<b>CASH, BEGINNING OF YEAR</b>	<u>234,894</u>
<b>CASH, END OF YEAR</b>	<u>\$ 300,777</u>

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

**THE ART OF ELYSIUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**1. ORGANIZATION**

The Art of Elysium (the “Organization”) is a California nonprofit organization incorporated on February 11, 1998, with offices in Los Angeles, California. 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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Financial Statements**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and in conformity with the professional standards recommended by the Financial Accounting Standards Board. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

*Unrestricted net assets* - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-Laws.

*Temporarily restricted net assets* - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Organization or by the passage of time.

*Permanently restricted net assets* - represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

Contributions received are recorded as unrestricted or temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

As of December 31, 2015, the Organization’s net assets are composed of unrestricted and temporarily restricted net assets.

**B. Revenue and Expense Recognition**

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Expenses are reported as decreases in unrestricted net assets.

**C. Pledges and grants receivable**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to

**THE ART OF ELYSIUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

give with payments due in future periods are reported as an increase in temporarily restricted net assets in the current year. All pledges and grants receivable are carried at fair value.

**D. Film production costs**

The Organization has a program whereby it finances film productions for amateur directors. Costs include capitalizable productions costs, production overhead and development costs and are stated at the lower of cost less accumulated amortization, or fair value.

Film production costs are amortized on the straight-line basis over five years from the date that the film is released.

Revenues earned are reflected as contributions when received. The Organization has not earned any revenue from its film productions to date.

**E. Contributed artwork**

The Organization at times receives contributions of artwork, which are measured at fair value, capitalized and reported as donations in the period received. Artists usually contribute one proof of their artwork and grant permission for the Organization to sell a limited number of copies of the work to prospective buyers in the future.

The fair market value of each proof is the estimated selling price of one print. Input for measuring fair value is obtained from the respective creative artist, published catalogs, vendors, independent appraisals, and other sources. Management evaluates the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired. The fair values of the Company's intangible assets are estimated and compared to their carrying value on an annual basis.

Sale of prints of the artwork, being the gross proceeds less the cost of printing and framing are reported as donations in the year the print is sold.

**F. Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used by the Organization are as follows:

Leasehold improvements	10 years
Furniture	5 – 7 years
Equipment	3 – 7 years
Piano	15 years

Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized.

**THE ART OF ELYSIUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Contributed goods and services**

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Receipts of furniture, equipment and supplies are reflected in the accompanying financial statements as in-kind contributions and offset by like amounts included in property and equipment and expenses.

The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. The fair value of services received in 2015 was \$8,000.

**H. Deferred special event revenue**

The Organization stages an event called “Heaven” on an annual basis. The purpose of the gala is to promote the Organization’s mission and to show how its programs make a creative contribution to the community. The gala usually takes place in the first week of January and tickets are sold in the last quarter of the prior year. Revenue from advance ticket sales are classified as deferred revenue in the statement of financial position because the payments received are conditional upon the event taking place.

**I. Functional allocation of expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**J. Joint costs of activities that include a fundraising appeal**

In 2015 the joint costs of the “Heaven” event totaled \$672,371. The Organization allocated \$100,856 to fundraising costs and \$571,515 to program expenses.

**K. Income taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 of the California Revenue Taxation Code. As such, the Foundation is not taxed on income derived from its exempt functions. However, the Foundation may be subject to tax on unrelated business income, which is generated from the Foundation’s investment income and other activities not related to their stated exempt purposes. The Foundation has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2013, 2014, and 2015 tax years.

**L. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

**THE ART OF ELYSIUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**M. Compensated Absences**

Employees of the Organization are entitled to paid vacation, depending upon length of service. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees. Management believes that the liability for compensated absences would not be material and accordingly, no liability has been recorded in the accompanying financial statements.

**N. Concentration of Credit Risk**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of uninsured cash balances. The Foundation places its cash deposits with high-credit quality financial institutions. At times, balances in the Foundation's accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 or the Securities Investor Protection Corporation (SIPC) limit of \$500,000. The Foundation has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk related to its cash balances

**3. FILM PRODUCTION COSTS**

Film production costs consist of the following at December 31, 2015:

Film Costs	\$ 246,694
Less: Accumulated amortization	<u>(148,016)</u>
	<u>\$ 98,678</u>

Amortization expense totaled \$49,338 for the year ended December 31, 2015.

**4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2015:

Furniture and fixtures	\$ 197,881
Equipment	93,380
Piano	8,000
Leasehold improvements	<u>115,327</u>
	414,588
Less: Accumulated depreciation	<u>(236,515)</u>
	<u>\$ 178,073</u>

Depreciation expense totaled \$51,312 for the year ended December 31, 2015.

**THE ART OF ELYSIUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**5. LINE OF CREDIT**

In November 2014, the Company obtained a new bank line of credit with a maximum principal amount of \$100,000. The maturity date on the line of credit is May 2016. Interest is payable at a variable rate equal to the greater of 3.5% per annum or the Bank's Prime Rate plus 1.25% per annum. The line of credit is secured by all of the Organization's property and equipment and intangible assets.

The rate of interest on the credit line at December 31, 2015 was 4.75% and the balance outstanding was \$100,000.

**6. LOAN PAYABLE**

A benefactor loaned the Organization \$14,800 during the year. The loan is unsecured, bears no interest and is due on demand.

**7. RELATED PARTY TRANSACTIONS**

Two members of the Board of Directors advanced funds to the Organization to cover the costs of the film production program over the period from 2009 through 2012 with the understanding that they would be repaid from the revenue, if any generated by the film. If the film is not profitable, the board members may decide to convert the loans into contributions. The balance outstanding at December 31, 2015, \$275,000, is unsecured, noninterest bearing and due on demand.

During the Organization's initial years, its founder and president did not take a salary and in addition incurred many expenses on behalf of the Organization. In 2014 the Board of Directors approved a plan for converting the balance due from Officer to compensation over a period of several years.

The balance consists of the following at December 31, 2015:

Accrued payroll - officer	\$ 191,664
Due from officer	<u>(148,326)</u>
Due to officer, net	<u>\$ 43,338</u>

**8. CONTINGENCIES**

The Organization may periodically become involved in various lawsuits that arise in the normal course of business. Management believes that losses resulting from these matters, if any, would be covered under the Organization's liability insurance policy and would not have a material effect on financial position. Accordingly, no provision for potential contingent liabilities is reflected in the accompanying financial statements. The Organization was not involved in any lawsuits at December 31, 2015.

**9. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events from the balance sheet date through November 29, 2017, the date the financial statements were available for use. No events other than those listed above have occurred during this period that would require adjustment to, or disclosure in, the financial statements.