

Reviewed Financial Statements and Independent Accountants' Report

THE ART OF ELYSIUM

Year Ended December 31, 2013

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, 2013, 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, 2013

ASSETS

Cash	\$	272,064
Pledges and grants receivable		112,241
Other receivable		22,254
Prepaid expenses		89,834
Due from officer		136,681
Film production costs, net		197,356
Contributed artwork, net		376,256
Property and equipment, net		80,459
TOTAL ASSETS	\$	<u>1,287,145</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	168,861
Payroll tax payable		10,561
Deferred special event revenue		877,133
Due to board members		268,000
TOTAL LIABILITIES		<u>1,324,555</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Unrestricted	(451,207)
Temporarily restricted	413,797
TOTAL NET ASSETS	<u>(37,410)</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,287,145</u>
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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, 2013**

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 616,404	\$	616,404
Grants	56,600		56,600
Special events		413,797	413,797
Program income	75,000		75,000
Contributed artwork	277,450		277,450
In-kind contributions	13,000		13,000
Interest income	161		161
Net assets released from restrictions	17,564	(17,564)	-
Total revenue and other support	1,056,179	396,233	1,452,412
FUNCTIONAL EXPENSES			
Program services	948,837	-	948,837
Fundraising	167,820	-	167,820
Administration	384,623	-	384,623
Total expenses	1,501,280	-	1,501,280
Increase / (decrease) in net assets	(445,101)	396,233	(48,868)
NET ASSETS, December 31, 2012	1,551,714	17,564	1,569,278
Prior period adjustment	(1,557,820)		(1,557,820)
NET ASSETS, December 31, 2012 - as adjusted	(6,106)	17,564	11,458
NET ASSETS, December 31, 2013	\$ (451,207)	\$ 413,797	\$ (37,410)

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

THE ART OF ELYSIUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Artist and performer fees	\$ 63,390	\$ -	\$ -	\$ 63,390
Artwork expenses	10,299	-	-	10,299
Bank and credit card fees	-	23,407	10,904	34,311
Cleaning and maintenance	8,672	-	8,777	17,449
Conferences and meetings	-	21,661	3,196	24,857
Depreciation and amortization	-	-	73,814	73,814
Insurance	-	-	15,322	15,322
Legal and professional	4,000	-	41,415	45,415
Marketing and promotion	13,435	650	30,925	45,010
Office expense	4,536	-	15,990	20,526
Office rent	-	-	100,358	100,358
Other administrative expense	-	-	21,253	21,253
Outside services	17,242	3,800	17,152	38,194
Payroll & benefits	332,563	40,348	28,805	401,716
Payroll service fees	-	-	10,761	10,761
Program - other	8,925	-	-	8,925
Program supplies	10,306	-	-	10,306
Special Events				
Catering	23,753	4,192	-	27,945
Equipment and location rental	72,128	12,728	-	84,856
Outside services	14,702	2,594	-	17,296
Planning & production	205,119	36,197	-	241,316
Press & public relations	14,806	2,613	-	17,419
Printing & reproduction	57,948	10,226	-	68,174
Special event travel	30,864	5,447	-	36,311
Other	22,425	3,957	-	26,382
Telephone	16,384	-	2,891	19,275
Travel	17,340	-	3,060	20,400
Total expenses	\$ 948,837	\$ 167,820	\$ 384,623	\$ 1,501,280

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

**THE ART OF ELYSIUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (48,868)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	73,814
(Increase)/decrease in operating assets:	
Pledges receivable	144,859
Contributed artwork	(423,500)
Prepaid expenses	(131,305)
Security deposit	33,169
Increase/(decrease) in liabilities:	
Accounts payable	(23,978)
Deferred special event revenue	672,133
Due to board members	(77,000)
Net cash provided by operating activities	<u>219,324</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	<u>(9,203)</u>
Net cash used for investing activities	<u>(9,203)</u>
Increase/(decrease) in cash	210,121
CASH, BEGINNING OF YEAR	<u>61,943</u>
CASH, END OF YEAR	<u>\$ 272,064</u>

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

THE ART OF ELYSIUM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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, 2013, 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, 2013

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, 2013

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 2013 was \$5,000.

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 2013 the joint costs of the "Heaven" event totaled \$519,699. The Organization allocated \$77,954 to fundraising costs and \$441,745 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 2011, 2012, and 2013 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, 2013

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. Prior period adjustment due to change in accounting policy - Contributed artwork

In prior years, when an artist donated a proof to the Organization, the value of the donation was determined based on the estimated fair market value of the entire set of prints donated and not on the monetary value of the single proof received. Beginning in 2013, management determined that in-kind contributed artworks are intangible assets of the Organization since there is no certainty that even one copy of a proof will be sold. Consequently, the amount of the donation should be only the monetary value of the proof donated to the Organization. As a result, a prior period adjustment totaling \$1,557,820 was made at January 1, 2013 to reflect the adjusted fair market value of in-kind contributed artwork on hand.

O. 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. 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, 2013:

Film Costs	\$ 246,694
Less: Accumulated amortization	<u>(49,338)</u>
	<u>\$ 197,356</u>

Amortization expense totaled \$49,338 for the year ended December 31, 2013.

THE ART OF ELYSIUM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2013:

Furniture and fixtures	\$	86,276
Equipment		51,078
Piano		8,000
Leasehold improvements		79,798
		<u>225,152</u>
Less: Accumulated depreciation		<u>(144,693)</u>
	\$	<u>80,459</u>

Depreciation expense totaled \$24,476 for the year ended December 31, 2013.

5. 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, 2013, \$268,000, 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. The Board of Directors have created a plan for converting the Balance due from Officer to compensation starting in 2014.

6. 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, 2013.

7. 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.