

**THE ART OF ELYSIUM**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors  
**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, 2007 and 2006, and the related statements of activities and cash flows for the years then ended, in accordance with 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 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 conformity with generally accepted accounting principles.

*Gleicher, Tilley & Leonard.*

April 8, 2008

**THE ART OF ELYSIUM**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2007 AND 2006**

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash	\$ 406,472	\$ 116,457
Total Current Assets	406,472	116,457
Property and Equipment, net	5,054	5,309
Contributed Artwork	<u>4,129,405</u>	<u>3,930,000</u>
	<u>\$ 4,540,931</u>	<u>\$ 4,051,766</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 69,407	\$ 75,550
Total Current Liabilities	69,407	75,550
Unrestricted Net Assets	<u>4,471,524</u>	<u>3,976,216</u>
	<u>\$ 4,540,931</u>	<u>\$ 4,051,766</u>

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

**THE ART OF ELYSIUM**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Revenues, Gains and Support		
Contributions	\$ 459,936	\$ 521,811
Grants	39,500	-
Net gains on sale of artwork	23,793	-
Proceeds from fundraising events, net of direct benefit costs of \$158,266 for 2007	470,173	-
In-kind contributed artwork	<u>304,505</u>	<u>4,025,000</u>
	<u>1,297,907</u>	<u>4,546,811</u>
Expenses		
Program services	609,968	451,747
Management and general	54,844	18,546
Fundraising	<u>137,788</u>	<u>105,588</u>
	<u>802,600</u>	<u>575,881</u>
Changes in Net Assets	495,307	3,970,930
Unrestricted Net Assets, beginning of year	<u>3,976,217</u>	<u>5,286</u>
Unrestricted Net Assets, end of year	<u>\$ 4,471,524</u>	<u>\$ 3,976,216</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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 495,307	\$ 3,970,930
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,104	783
Gain on sale of artwork	(23,793)	-
Changes in operating assets and liabilities:		
Contributed artwork	(199,405)	(3,930,000)
Accounts payable and accrued expenses	<u>(6,143)</u>	<u>-</u>
Net cash provided by operating activities	<u>268,070</u>	<u>41,713</u>
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(1,848)	(6,093)
Proceeds from sales of artwork	128,893	95,000
Costs associated with sales of artwork	<u>(105,100)</u>	<u>(95,000)</u>
Net cash provided by (used in) operating activities	<u>21,945</u>	<u>(6,093)</u>
Net Increase in Cash	290,015	35,620
Cash, Beginning of Year	<u>116,457</u>	<u>80,837</u>
Cash, End of Year	<u>\$ 406,472</u>	<u>\$ 116,457</u>

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, 2007 AND 2006

### 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* - Include 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* - Include grants and contributions received that are temporarily restricted with respect to use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted contributions received are reported as unrestricted revenue if the restriction is met in the same reporting period. The Organization has no temporarily restricted net assets.

*Permanently Restricted Net Assets* - Include 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 those estimates.

**THE ART OF ELYSIUM**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash

The Company considers all financial instruments purchased with an 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. 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

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.

NOTE 3 - MAJOR REVENUE SOURCES

For the year ended December 31, 2007, the majority of the Organization's revenue sources was derived as follows: 35% from contributions; 36% from proceeds from fundraising events; and 23% from in-kind contributed artwork. For 2006: 11% from contributions; and 89% from in-kind contributed artwork.



**THE ART OF ELYSIUM**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2007</u>	<u>2006</u>
Computer Equipment	\$ 4,249	\$ 2,400
Furniture and equipment	<u>3,692</u>	<u>3,692</u>
	7,941	6,092
Accumulated Depreciation	<u>(2,887)</u>	<u>(783)</u>
	<u>\$ 5,054</u>	<u>\$ 5,309</u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$2,104 and \$783, 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 sale of 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.

**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, 2007 and 2006, the Organization received donated rental office space, but the fair value of this contribution could not be ascertained.