

LIFEbeat, INC.

***AUDITED FINANCIAL STATEMENTS
and SUPPLEMENTAL MATERIAL
For the Years Ended December 31, 2007 and 2006***

*Dinowitz and Bove
Accountants and Consultants*

LIFEbeat, Inc.

TABLE OF CONTENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Page</u>
<i>Independent Auditors' Report</i>	<i>1</i>
<i>Statements of Financial Position</i>	<i>2</i>
<i>Statements of Activities</i>	<i>3</i>
<i>Statements of Cash Flows</i>	<i>4</i>
<i>Notes to Financial Statements</i>	<i>5-11</i>
<i>Accountants' Report on Supplementary Information</i>	<i>12</i>
<i>Supplementary Information:</i>	
<i>Statements of Functional Expenses, Dec 31, 2007</i>	<i>13</i>
<i>Statements of Functional Expenses, Dec 31, 2006</i>	<i>14</i>

DINOWITZ & BOVE
CERTIFIED PUBLIC ACCOUNTANTS, PC

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
LIFEbeat, Inc.
New York, NY

We have audited the accompanying statements of financial position of LIFEbeat, Inc. as of December 31, 2007 and 2006, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LIFEbeat, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dinowitz & Bove Certified Public Accountants, PC

New York, NY
April 24, 2008

LIFEbeat, Inc.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2 0 0 7	2 0 0 6
A S S E T S		
Cash	\$ 429,405	\$ 497,759
Contributions receivable	70,761	41,797
Prepaid expenses and other receivable	<u>2,770</u>	<u>5,702</u>
TOTAL CURRENT ASSETS	502,936	545,258
Property and equipment, net of accumulated depreciation of \$37,005-2007 and \$30,210-2006	78,542	85,337
Security deposits	<u>16,100</u>	<u>16,100</u>
TOTAL ASSETS	\$ <u>597,578</u>	\$ <u>646,695</u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 13,217	\$ 29,574
Due to fiduciary	<u>-</u>	<u>1,710</u>
TOTAL LIABILITIES	13,217	31,284
<i>Net Assets</i>		
Unrestricted	\$ 518,111	\$ 549,161
Temporarily Restricted	<u>66,250</u>	<u>66,250</u>
TOTAL NET ASSETS	584,361	615,411
TOTAL LIABILITIES AND NET ASSETS	\$ <u>597,578</u>	\$ <u>646,695</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

LIFEbeat, Inc.
STATEMENTS OF ACTIVITIES

	For the Year	
	Ended December 31,	
	2 0 0 7	2 0 0 6
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT:		
Public contributions	\$ 626,633	\$ 666,873
Special event	215,492	181,344
Interest income	4,090	4,448
	<hr/>	<hr/>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	\$ 846,215	\$ 852,665
EXPENSES:		
PROGRAM SERVICES		
Outreach and education	493,033	535,130
Support and grants	102,037	90,911
	<hr/>	<hr/>
	595,070	626,041
SUPPORTING SERVICES		
Management and general	105,724	99,179
Fundraising	176,471	182,585
	<hr/>	<hr/>
TOTAL EXPENSES	\$ 877,265	\$ 907,805
DECREASE IN UNRESTRICTED NET ASSETS	\$ (31,050)	\$ (55,140)
NET ASSETS, BEGINNING OF YEAR	615,411	670,551
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 584,361	\$ 615,411
	<hr/>	<hr/>

See Independent Auditors' Report.

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*LIFEbeat, Inc.**STATEMENTS OF CASH FLOWS*

	For the Year	
	Ended December 31,	
	2 0 0 7	2 0 0 6
<i>Cash flows from operating activities</i>		
<i>(Decrease) Increase in net assets</i>	\$ (31,050)	\$ (55,140)
<i>Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:</i>		
<i>Depreciation</i>	6,795	6,063
<i>Change in assets, (increase) decrease:</i>		
<i>Contributions receivable</i>	(28,964)	16,168
<i>Prepaid expenses</i>	2,932	(624)
<i>Change in liabilities, increase (decrease):</i>		
<i>Accounts payable and accrued expenses</i>	(16,357)	22,155
<i>Due to fiduciary</i>	(1,710)	1,654
	<u>(68,354)</u>	<u>(9,724)</u>
<i>Net cash used in operating activities</i>		
<i>Cash flows from investing activities</i>		
<i>Purchases of equipment and fixtures</i>	\$ -	\$ (10,873)
	<u>-</u>	<u>(10,873)</u>
<i>Net cash used in investing activities</i>		
<i>Net decrease in cash</i>	(68,354)	(20,597)
<i>Cash, beginning of year</i>	<u>497,759</u>	<u>518,356</u>
<i>Cash, end of year</i>	<u>\$ 429,405</u>	<u>\$ 497,759</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these financial statements.

LIFE BEAT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

1. Organization and Summary of Significant Accounting Policies

a. Organization

LIFEbeat, Inc. (the "Organization") was incorporated in the State of New York in 1992 as a nonprofit corporation. LIFEbeat, the Music Industry Fights AIDS is an organization dedicated to reaching America's youth with the message of HIV/AIDS prevention. LIFEbeat mobilizes the talents and resources of the music industry to raise awareness and to provide support to the AIDS community.

Recognizing that music has always played a significant role in the lives of young people, LIFEbeat has carved out a unique niche by effectively using the power of music to reach this population. LIFEbeat strives to cultivate a strong sense of self-worth and self-respect in youth to help them resist negative influences that may lead to engagement in risky behaviors.

AIDS is not over.

There is no cure. There is no vaccine. People continue to die from AIDS. HIV continues to spread at an alarming rate.

Every hour of every day, two people between the ages of 13-24 are infected with HIV. Too many young people are still engaging in behaviors that put them at risk for HIV/AIDS; most young people are not even aware that their actions put them at risk.

The strongest and most powerful weapon against HIV/AIDS is awareness. It is imperative that young people are informed about the myths and realities surrounding HIV/AIDS. They must be equipped with the tools needed in order to make intelligent decisions at crucial moments. A generation informed ceases to be a generation at risk.

b. Summary of Significant Accounting Policies

Basis of accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

LIFEBEAT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2007 AND 2006****1. Organization and Summary of Significant Accounting Policies:****b. Summary of Significant Accounting Policies****Basis of presentation**

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116; Accounting for Contributions Received and Contributions made. In accordance with (SFAS) No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

The Organization also adopted SFAS No. 117, Financial Statements of not-for-profit Organizations. Under SFAS No. 117, the Organization is required to report 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.

Contributions

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and cash equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts in a commercial bank. Cash balances located in the commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$100,000.

LIFEBEAT, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2007 AND 2006****1. Organization and Summary of Significant Accounting Policies:****b. Summary of Significant Accounting Policies (Continued)****Property and Equipment**

Property and Equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets acquired. Expenditures for major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to expense as incurred.

Federal Income Taxes

LIFEbeat, Inc. is exempt from Federal Income Taxes under section 501(a) of the Internal Revenue Code as an Organization described in section 501(c)(3). The Internal Revenue Service has issued a final determination of the Organization's tax exempt status, which states that they will continue to be exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During 2007 and 2006, the Organization received donated legal services from one of its board members for their program and supporting services. The board member estimated the fair value of these services to be \$25,000 for each year. This amount is included in contributions and expenses in the Statement of Activities.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special events.

In addition, the Organization also receives services from people in the entertainment industry who perform in various cities at certain fund raising events. No amounts have been recognized for these types of services in the accompanying statement of activities because criteria for recognition under SFAS No. 116 have not been satisfied.

LIFEBEAT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

1. Organization and Summary of Significant Accounting Policies:

b. Summary of Significant Accounting Policies (Continued)

Donated Goods/Events

The Organization received donated goods during the years 2007 and 2006. These amounts are included in contributions and expenses at their estimated fair values in the Statement of Activities, except for donated equipment, furniture and website development which is capitalized and depreciated over its estimated useful life, in accordance with the Organization's policy for capitalizing donated fixed assets. The amounts donated are as follows:

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
Program supplies	\$ 124,820	\$ 159,088
Event promotion	6,494	-
Event production	<u>-</u>	<u>7,475</u>
Total	<u>\$ 131,314</u>	<u>\$ 166,563</u>

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis and presented as supplementary information in the statement of functional expenses. Accordingly, costs have been allocated among the programs and supporting services benefited based on analysis of personnel time and utilization for related activities. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the organization.

Use of estimates

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

LIFEBEAT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

2. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
Computers and equipment	\$ 28,449	\$ 28,449
Furniture and fixtures	14,160	14,160
Leasehold improvement	10,188	10,188
Website development	62,750	62,750
	<u>115,547</u>	<u>115,547</u>
Less accumulated depreciation	<u>37,005</u>	<u>30,210</u>
	<u>\$ 78,542</u>	<u>\$ 85,337</u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$6,795 and \$6,063, respectively.

3. Concentrations

The Organization receives the majority of its contributions from corporations and individuals involved in the music industry.

4. Contributions receivable

Contributions receivable of \$70,761 as December 31, 2007 has been subsequently collected.

5. Operating lease

The Organization has a ten year lease of office space located at 630 Ninth Avenue in New York, New York. The lease requires the Organization to pay a percentage of executory costs such as real estate taxes and utilities in addition to the monthly base rent.

LIFEBEAT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

5. Operating lease (Continue)

Future minimum lease payments, excluding executory costs, under the operating lease are:

Years Ending December 31,

2008	\$	45,900
2009		45,900
2010		45,900
2011		45,900
2012		45,900
	\$	<u>229,500</u>

6. Fiscal Sponsorship Relationships

LIFEbeat, Inc. acted as fiscal sponsor for Dance Music Hall of Fame. As of December 31, 2007, the relationship has ended. The financial activities related to these relationships have been recorded as increases and decreases of liabilities and consisted of:

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
Total revenue received	\$ -	\$ 4,766
Total expenses paid	-	3,056
Payable at December 31,	<u>\$ -</u>	<u>\$ 1,710</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, were available for the following purposes:

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
Support for the Program Monitoring and Evaluating Project	<u>\$ 66,250</u>	<u>\$ 66,250</u>

LIFEbeat, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

8. Descriptions of program services

Outreach and education (Tour Outreach Program)

Through our outreach program, LIFEbeat staff and volunteers reach hundreds of thousands of at-risk youth annually in clubs and concert venues throughout the New York Metropolitan area. On a national level, artists invite LIFEbeat to be a part of their tours, enabling the Organization to cast a wide net and reach a large and diverse number of young people. At each venue, LIFEbeat reaches out to local AIDS service organizations to assist in providing concert-goers with important HIV/AIDS literature, condoms, and information on testing and counseling services in their area.

Support and grants (Hearts and Voices Program)

LIFEbeat shares the healing power of music with people living with AIDS, bringing more than 200 live music entertainment evenings a year to AIDS residences and hospitals. Live music is a gift that has meaning on many levels and enriches the lives of audience members and performers alike. The singers and musicians who donate their time and talent range from local bands to award-winning performers. What began as a couple of caring individuals singing a few songs for a friend in a Manhattan hospital has developed into a large community of people dedicated to making this program thrive.

DINOWITZ & BOVE
CERTIFIED PUBLIC ACCOUNTANTS, PC

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(212) 973-0935

ACCOUNTANTS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
LIFEbeat, Inc.
New York, NY

Our report on our audit of the 2007 and 2006 financial statements of LIFEbeat, Inc., was made for the purpose of expressing an opinion on the basic financial statements taken as a whole. Our report thereon appears on page 1. The supplementary information on pages 13 through 14, inclusive, is presented for purposes of additional analysis and is not a required part of the basic financial statements for the years ended December 31, 2007 and 2006. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dinowitz & Bove Certified Public Accountants, PC

New York, NY
April 24, 2008

LIFEbeat, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program services</u>		<u>Supporting services</u>		<u>Total 2007</u>
	<u>Outreach and education</u>	<u>Support and grants</u>	<u>Management and general</u>	<u>Fund- raising</u>	
<i>Payroll</i>	\$ 173,866	\$ 54,991	\$ 57,411	\$ 72,382	\$ 358,650
<i>Payroll taxes</i>	13,474	4,262	4,449	5,609	27,794
<i>Employee benefits</i>	21,729	6,873	7,175	9,046	44,823
<i>Payroll service fees</i>	6,366	2,013	2,102	2,650	13,131
<i>Bank charges</i>	2,238	-	2,235	2,680	7,153
<i>Depreciation</i>	3,294	1,042	1,088	1,371	6,795
<i>Dues & subscriptions</i>	658	-	328	157	1,143
<i>Equipment rental</i>	4,059	-	1,583	1,280	6,922
<i>Event production</i>	50,840	-	-	16,947	67,787
<i>Event promotions</i>	6,292	-	-	2,097	8,389
<i>Filing fees</i>	494	-	276	156	926
<i>Grants</i>	-	12,978	-	-	12,978
<i>Insurance</i>	4,968	1,571	1,640	2,068	10,247
<i>Lodging</i>	1,608	312	121	691	2,732
<i>Meals and entertainment</i>	3,796	515	1,348	1,441	7,100
<i>Office expense</i>	3,579	85	1,871	2,519	8,054
<i>On-line services</i>	1,949	-	1,089	764	3,802
<i>Postage</i>	5,342	665	1,463	6,691	14,161
<i>Printing</i>	5,029	1,624	265	6,888	13,806
<i>Professional fees</i>	38,624	-	7,941	4,395	50,960
<i>Programs supplies</i>	105,228	1,587	-	18,852	125,667
<i>Public relations</i>	429	557	136	1,383	2,505
<i>Rent</i>	22,646	7,163	7,478	9,428	46,715
<i>Repairs & maintenance</i>	4,470	-	2,500	1,429	8,399
<i>Storage</i>	2,588	-	1,312	900	4,800
<i>Telephone</i>	3,284	1,039	1,084	1,367	6,774
<i>Transportation</i>	4,397	4,195	239	2,536	11,367
<i>Utilities</i>	1,786	565	590	744	3,685
	<u>\$ 493,033</u>	<u>\$ 102,037</u>	<u>\$ 105,724</u>	<u>\$ 176,471</u>	<u>\$ 877,265</u>

See accountants' report on supplementary information.
The accompanying notes are an integral part of these financial statements.

LIFEbeat, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2006

	<u>Program Services</u>		<u>Supporting services</u>		<u>Total 2006</u>
	<u>Outreach and education</u>	<u>Support and grants</u>	<u>Management and general</u>	<u>Fund- raising</u>	
<i>Payroll</i>	\$ 172,159	\$ 44,413	\$ 56,863	\$ 80,068	\$ 353,503
<i>Payroll taxes</i>	13,143	3,391	4,341	6,113	26,988
<i>Employee benefits</i>	17,170	4,429	5,671	7,985	35,255
<i>Payroll service fees</i>	5,943	1,533	1,963	2,764	12,203
<i>Bank charges</i>	1,334	344	441	621	2,740
<i>Depreciation</i>	2,953	762	975	1,373	6,063
<i>Dues & subscriptions</i>	341	-	190	1,710	2,241
<i>Equipment rental</i>	4,781	-	2,673	1,507	8,961
<i>Event production</i>	32,806	-	-	32,805	65,611
<i>Event promotions</i>	351	-	-	117	468
<i>Filing fees</i>	-	-	375	-	375
<i>Grants</i>	-	6,850	-	-	6,850
<i>Insurance</i>	5,540	1,429	1,830	2,577	11,376
<i>Lodging</i>	592	894	-	-	1,486
<i>Meals and entertainment</i>	2,599	205	232	709	3,745
<i>Office expense</i>	3,026	353	1,584	1,825	6,788
<i>On-line services</i>	5,657	-	2,962	2,328	10,947
<i>Postage</i>	4,733	581	412	5,997	11,723
<i>Printing</i>	21,004	535	279	6,336	28,154
<i>Professional fees</i>	37,340	8,937	6,875	10,506	63,658
<i>Programs supplies</i>	170,205	652	-	899	171,756
<i>Public relations</i>	262	6,163	26	298	6,749
<i>Rent</i>	22,391	5,776	7,396	10,414	45,977
<i>Repairs & maintenance</i>	2,396	-	1,340	755	4,491
<i>Storage</i>	2,561	-	1,432	1,289	5,282
<i>Telephone</i>	2,948	761	974	1,371	6,054
<i>Transportation</i>	2,137	2,708	95	1,866	6,806
<i>Utilities</i>	758	195	250	352	1,555
	<u>\$ 535,130</u>	<u>\$ 90,911</u>	<u>\$ 99,179</u>	<u>\$ 182,585</u>	<u>\$ 907,805</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these financial statements.