

**CROSSING THE FINISH LINE, INC.**

Financial Statements with  
Supplementary Information and  
Independent Auditors' Report

June 30, 2005

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**CROSSING THE FINISH LINE, INC.**

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## **Independent Auditors' Report**

To the Board of Directors of  
Crossing the Finish Line, Inc.  
East Norriton, PA

We have audited the accompanying statement of financial position of Crossing the Finish Line, Inc. (the "Organization") as of June 30, 2005, and the related statements of activities, and cash flows for the year 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 audits 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 the Organization as of June 30, 2005, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 basic financial statements taken as a whole.

November 17, 2005

**CROSSING THE FINISH LINE, INC.**

Statement of Financial Position

June 30, 2005

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**ASSETS**

|                             |                   |
|-----------------------------|-------------------|
| Cash and cash equivalents   | \$ 52,456         |
| Investments                 | 4,354             |
| Property and equipment, net | 129,217           |
| Security deposits           | <u>1,000</u>      |
| Total assets                | <u>\$ 187,027</u> |

**LIABILITIES AND NET ASSETS**

|   |                   |
|---|-------------------|
| Accounts payable                          | \$ 7,037          |
| Employee retirement contributions payable | <u>400</u>        |
| Total liabilities                         | <u>7,437</u>      |
| Commitments                               | <u>-</u>          |
| Net assets:                               |                   |
| Unrestricted net assets:                  |                   |
| Operating                                 | 134,590           |
| Board designated                          | <u>45,000</u>     |
| Total net assets                          | <u>179,590</u>    |
| Total liabilities and net assets          | <u>\$ 187,027</u> |

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

**CROSSING THE FINISH LINE, INC.**

Statement of Activities

For the year ended June 30, 2005

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Unrestricted support and revenue:

Contributions:

|                       |                |
|-----------------------|----------------|
| Contributions         | \$ 126,776     |
| Contributions in-kind | 105,797        |
| Total contributions   | <u>232,573</u> |

|                        |                |
|------------------------|----------------|
| Special events         | 295,248        |
| Special events in-kind | 92,063         |
|                        | <u>387,311</u> |

|                           |                |
|---------------------------|----------------|
| Less: direct costs        | (187,262)      |
| Net special events income | <u>200,049</u> |

Other revenue:

|                      |              |
|----------------------|--------------|
| Investment income    | 542          |
| Miscellaneous income | 5,874        |
|                      | <u>6,416</u> |

|                     |              |
|---------------------|--------------|
| Total other revenue | <u>6,416</u> |
|---------------------|--------------|

|  |                |
|--|----------------|
| Total unrestricted support and revenue | <u>439,038</u> |
|--|----------------|

Expenses:

|                  |         |
|------------------|---------|
| Program services | 365,234 |
|------------------|---------|

Support services:

|                        |               |
|------------------------|---------------|
| Management and general | 44,392        |
| Fundraising            | 30,825        |
|                        | <u>75,217</u> |

|                |                |
|----------------|----------------|
| Total expenses | <u>440,451</u> |
|----------------|----------------|

|                      |         |
|----------------------|---------|
| Change in net assets | (1,413) |
|----------------------|---------|

|                                 |                |
|---------------------------------|----------------|
| Net assets at beginning of year | <u>181,003</u> |
|---------------------------------|----------------|

|                           |                          |
|---------------------------|--------------------------|
| Net assets at end of year | <u><u>\$ 179,590</u></u> |
|---------------------------|--------------------------|

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

**CROSSING THE FINISH LINE, INC.**

Statement of Cash Flows

For the year ended June 30, 2005

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|   |                       |
|---|-----------------------|
| Cash flows from operating activities:   |                       |
| Net loss  | \$ (1,413)            |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                       |
| Depreciation  | 8,387                 |
| Unrealized loss on investments  | 325                   |
| Increase in:  |                       |
| Security deposits   | (800)                 |
| Increase in:  |                       |
| Accounts payable  | 6,590                 |
| Employee retirement contributions payable                                       | 400                   |
|   | <hr/>                 |
| Net cash provided by operating activities                                       | 13,489                |
|   | <hr/>                 |
| Net increase in cash and cash equivalents                                       | 13,489                |
| Cash and cash equivalents at beginning of year                                  | <hr/> 38,967          |
| Cash and cash equivalents at end of year  | <hr/> <hr/> \$ 52,456 |

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

# CROSSING THE FINISH LINE, INC.

Notes to Financial Statements

June 30, 2005

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## 1. Nature of Operations and Summary of Significant Accounting Policies:

This summary of significant accounting policies of Crossing the Finish Line, Inc. (the “Organization”) is presented to assist in the understanding of the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

### Nature of Operations:

The Organization was formed under the laws of Pennsylvania in 1999 and is a tax-exempt organization as defined by Sections 501(c)(3) and 509(a) of the Internal Revenue Code (“IRC”) that is publicly supported and, therefore, not a private foundation. The Organization was created for the purpose of providing respite and relief to struggling young adult cancer patients, thereby alleviating the burdens of the sick and distressed and providing the patient and family with the means necessary to embrace a potentially terminal diagnosis.

Eligible candidates (“Sailors”), generally from Pennsylvania, New Jersey and Delaware, receive an expense paid excursion to select destinations, accompanied with a generous stipend and supplementary materials such as journals, inspirational writings, robes and other amenities to compliment the retreat experience. Sailors and their families receive ancillary services or “Port Support” upon the return home and as the journey with cancer continues.

In 2005, the Organization received 84 sailor nominations and provided a respite opportunity to 55 sailors, representing 189 family crew members. Sailors traveled to the Organization’s home near Orlando, Florida and to other respite destinations along the California, New Jersey, North Carolina and Florida coasts. The Organization continued to provide Port Support to all sailors and their families to help them through the crisis of cancer. The Organization is supported primarily from proceeds of five special events, organized and executed by volunteer committees, and general public support, both corporate and individual.

The Organization’s website contains a comprehensive description of the program, events, financial posture, management and general information. Visit the website at [www.crossingthefinishline.org](http://www.crossingthefinishline.org) for more information.

### Use of Estimates in Preparing Financial Statements:

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

## CROSSING THE FINISH LINE, INC.

Notes to Financial Statements, continued

June 30, 2005

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### 1. Nature of Operations and Summary of Significant Accounting Policies, continued:

#### Basis of Presentation:

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* ("SFAS No. 117"). 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. As of June 30, 2005, the Organization had no permanently or temporarily restricted net assets.

#### Cash and Cash Equivalents:

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value.

#### Property and Equipment:

Property and equipment are stated at cost. Major additions and betterments are charged to the asset accounts while maintenance and repairs, which do not improve or extend the lives of the assets, are expensed currently. Property and equipment are depreciated using the straight-line method over their estimated useful lives, from 3 to 30 years, with a half of year's depreciation recognized in the years of acquisition and disposal.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

#### Contributions:

The Organization accounts for contributions in accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* ("SFAS No. 116"). Under SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

**CROSSING THE FINISH LINE, INC.**

Notes to Financial Statements, continued

June 30, 2005

1. Nature of Operations and Summary of Significant Accounting Policies, continued:

Donated Services:

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program functions and special event activities. During the year ended June 30, 2005, the Organization received approximately 1,605 donated hours. The cost of these hours is not recorded in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes:

The Organization is exempt from Federal Taxation as a charitable organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in the financial statements.

2. Property and Equipment:

Property and equipment consisted of the following as of June 30, 2005:

|                                |                   |
|--------------------------------|-------------------|
| Computer equipment             | \$ 5,303          |
| Computer software              | 13,150            |
| Residence - Davenport, Florida | 129,622           |
| Land - Davenport, Florida      | 14,402            |
|                                | <u>162,477</u>    |
| Less: Accumulated depreciation | <u>(33,260)</u>   |
| Property and equipment, net    | <u>\$ 129,217</u> |

Depreciation expense was \$8,387 for the year ended June 30, 2005.

**CROSSING THE FINISH LINE, INC.**  
Notes to Financial Statements, continued  
June 30, 2005

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3. Investments:

Investments are stated at fair value and consisted of the following as of June 30, 2005:

|                                       | Cost     | Fair value |
|---------------------------------------|----------|------------|
| 1 Share of Berkshire Hathaway Class B | \$ 2,813 | \$ 2,784   |
| 50 Shares of Overstock.com            | 994      | 1,570      |
| Total                                 | \$ 3,807 | \$ 4,354   |

Investment return consists of \$542 on unrealized appreciation for the year ended June 30, 2005.

4. Line-of-Credit:

The Organization has a line-of-credit available in the amount of \$25,000 bearing an interest rate of the current prime lending rate plus two points (8.25% at June 30, 2005) that matures on December 18, 2005. As of June 30, 2005, there was no outstanding balance on the line-of-credit.

5. Contributions and Expenses In-Kind:

Donated facilities, services and materials have been reflected in the financial statements at fair market value as both a contribution and corresponding expense and consisted of the following for the year ended June 30, 2005:

|  |            |
|--|------------|
| Printing and reproduction                | \$ 14,650  |
| Rent expense                             | 20,000     |
| Special events                           | 90,263     |
| Professional fees                        | 3,500      |
| Accommodations                           | 18,480     |
| Retreat amenities and supplies           | 39,317     |
| Computer processing and website design   | 9,550      |
| Office equipment rental                  | 2,100      |
| Total contributions and expenses in-kind | \$ 197,860 |

**CROSSING THE FINISH LINE, INC.**

## Schedule of Functional Expenses

For the year ended June 30, 2005

|  | Program    | General &<br>Administrative | Fundraising | Total      |
|--|------------|-----------------------------|-------------|------------|
| Accommodations                         | \$ 23,442  | \$ -                        | \$ -        | \$ 23,442  |
| Airline travel                         | 30,617     | -                           | -           | 30,617     |
| Bank service charges                   | 2,416      | 501                         | 383         | 3,300      |
| Board expenses                         | -          | 123                         | -           | 123        |
| Car rental                             | 14,305     | -                           | -           | 14,305     |
| Computer software maintenance          | 2,495      | 514                         | 396         | 3,405      |
| Conference and training                | 833        | 91                          | 459         | 1,383      |
| Contributions                          | 149        | -                           | -           | 149        |
| Depreciation expense                   | 7,405      | 555                         | 427         | 8,387      |
| Dues and subscriptions                 | 757        | 156                         | 120         | 1,033      |
| Educational outreach                   | 432        | -                           | -           | 432        |
| Employee benefits                      | 10,982     | 2,264                       | 1,742       | 14,988     |
| Employment taxes                       | 8,327      | 1,717                       | 1,321       | 11,365     |
| Equipment rental                       | 1,892      | 390                         | 300         | 2,582      |
| Equipment repairs                      | 36         | 7                           | 6           | 49         |
| Facility expenses                      | 22,705     | -                           | -           | 22,705     |
| Insurance                              | 2,146      | 444                         | 353         | 2,943      |
| Limousine travel                       | 2,400      | -                           | -           | 2,400      |
| Miscellaneous                          | 241        | -                           | -           | 241        |
| Patient stipend                        | 32,012     | -                           | -           | 32,012     |
| Payroll processing fees                | 695        | 143                         | 110         | 948        |
| Port support                           | 846        | -                           | -           | 846        |
| Postage and delivery                   | 4,105      | 618                         | 475         | 5,198      |
| Professional fees                      | -          | 12,350                      | -           | 12,350     |
| Promotional, printing and reproduction | 17,981     | -                           | 4,495       | 22,476     |
| Rent expense                           | 14,648     | 3,020                       | 2,324       | 19,992     |
| Salaries and wages                     | 96,660     | 19,926                      | 15,334      | 131,920    |
| Supplies                               | 2,002      | 411                         | 318         | 2,731      |
| Technology and website                 | 11,101     | -                           | 1,233       | 12,334     |
| Telephone                              | 4,707      | 588                         | 588         | 5,883      |
| Travel                                 | 30         | 7                           | 5           | 42         |
| Utilities                              | 2,749      | 567                         | 436         | 3,752      |
| Volunteer appreciation                 | 551        | -                           | -           | 551        |
| Welcome basket expenses                | 45,567     | -                           | -           | 45,567     |
| Total                                  | \$ 365,234 | \$ 44,392                   | \$ 30,825   | \$ 440,451 |

*See independent auditors' report.*

**CROSSING THE FINISH LINE, INC.**

## Schedule of Special Events Expenses

For the year ended June 30, 2005

|                              | <u>Ordinary</u>  | <u>In-kind</u>   | <u>Total</u>      |
|------------------------------|------------------|------------------|-------------------|
| Awards/Recognition           | \$ 1,344         | \$ -             | \$ 1,344          |
| Decoration                   | 4,984            | 2,138            | 7,122             |
| Entertainment                | 6,373            | 3,550            | 9,923             |
| Equipment Rental             | 3,621            | 2,300            | 5,921             |
| Event Committee Expense      | 976              | -                | 976               |
| Event Insurance              | 3,588            | -                | 3,588             |
| Event Production             | 5,893            | 650              | 6,543             |
| Event Signs                  | 1,440            | 324              | 1,764             |
| Facility Rental              | 22,875           | 3,500            | 26,375            |
| Food/Beverage                | 31,494           | 46,570           | 78,064            |
| Miscellaneous, etc.          | 1,481            | -                | 1,481             |
| Postage and Delivery         | 4,095            | -                | 4,095             |
| Printing and Reproduction    | 5,108            | 23,871           | 28,979            |
| Promotional Items and Prizes | 1,927            | 9,160            | 11,087            |
| Total                        | <u>\$ 95,199</u> | <u>\$ 92,063</u> | <u>\$ 187,262</u> |

*See independent auditors' report.*