

CROSSING THE FINISH LINE, INC.

**Financial Statements with
Supplementary Information and
Independent Auditors' Report**

June 30, 2006 and 2005

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 statements of financial position of Crossing the Finish Line, Inc. (the "Organization") as of June 30, 2006 and 2005, 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Organization as of June 30, 2006 and 2005, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on pages 9 - 11 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 audits 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.

Smart and Associates, LLP

January 3, 2007

CROSSING THE FINISH LINE, INC.
Statements of Financial Position
June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 41,047	\$ 52,456
Investments	-	4,354
Property and equipment, net	127,015	129,217
Security deposits	1,000	1,000
	\$ 169,062	\$ 187,027
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 59,758	\$ 7,037
Other payables	304	400
	60,062	7,437
Total liabilities		
Commitments	-	-
Net assets:		
Unrestricted net assets:		
Operating	99,000	134,590
Board designated	-	45,000
	99,000	179,590
Total unrestricted net assets		
Temporarily restricted net assets	10,000	-
	109,000	179,590
Total net assets		
Total liabilities and net assets	\$ 169,062	\$ 187,027

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

CROSSING THE FINISH LINE, INC.
Statements of Activities
For the years ended June 30, 2006 and 2005

	2006		2005	
	Unrestricted	Temporarily Restricted	Total	All Unrestricted
Support and revenue:				
Contributions:				
Contributions	\$ 55,097	\$ 15,000	\$ 70,097	\$ 126,776
Contributions in-kind	121,791	-	121,791	105,797
Total contributions	<u>176,888</u>	<u>15,000</u>	<u>191,888</u>	<u>232,573</u>
Special events	302,539	-	302,539	295,248
Special events in-kind	67,361	-	67,361	92,063
	<u>369,900</u>	<u>-</u>	<u>369,900</u>	<u>387,311</u>
Direct costs	(215,435)	-	(215,435)	(187,262)
Net special events income	<u>154,465</u>	<u>-</u>	<u>154,465</u>	<u>200,049</u>
Other revenue:				
Investment income	1,565	-	1,565	542
Miscellaneous income	10	-	10	5,874
	<u>1,575</u>	<u>-</u>	<u>1,575</u>	<u>6,416</u>
Net assets released from restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>337,928</u>	<u>10,000</u>	<u>347,928</u>	<u>439,038</u>
Expenses:				
Program services	336,726	-	336,726	365,234
Support services:				
General and administrative	27,910	-	27,910	44,392
Fundraising	53,882	-	53,882	30,825
	<u>418,518</u>	<u>-</u>	<u>418,518</u>	<u>440,451</u>
Total expenses	<u>418,518</u>	<u>-</u>	<u>418,518</u>	<u>440,451</u>
Change in net assets	(80,590)	10,000	(70,590)	(1,413)
Net assets at beginning of year	<u>179,590</u>	<u>-</u>	<u>179,590</u>	<u>181,003</u>
Net assets at end of year	<u>\$ 99,000</u>	<u>\$ 10,000</u>	<u>\$ 109,000</u>	<u>\$ 179,590</u>

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

CROSSING THE FINISH LINE, INC.
Statements of Cash Flows
For the years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Net loss	\$ (70,590)	\$ (1,413)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	6,358	8,386
(Realized gain) and unrealized loss on investments	(16)	326
(Increase) decrease in:		
Security deposits	-	(800)
Increase (decrease) in:		
Accounts payable	52,721	6,590
Other payables	(96)	400
	(11,623)	13,489
Cash flows from investing activities:		
Sales proceeds of investment	4,370	-
Purchase of property and equipment	(4,156)	-
	214	-
Net cash provided by investing activities		
	(11,409)	13,489
Net (decrease) increase in cash and cash equivalents		
Cash and cash equivalents at beginning of year	52,456	38,967
Cash and cash equivalents at end of year	\$ 41,047	\$ 52,456

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

CROSSING THE FINISH LINE, INC.

Notes to Financial Statements

June 30, 2006 and 2005

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 complement 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 2006, the Organization received 62 sailor nominations and provided a respite opportunity to 49 sailors, representing 303 family crew members. A total of 89 families were served during 2006 which includes 27 families from the prior fiscal year. 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, program outcome measures and general information. Visit the website at 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 those estimated.

CROSSING THE FINISH LINE, INC.
Notes to Financial Statements, continued
June 30, 2006 and 2005

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

Basis of Presentation:

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, 2006, the Organization had \$10,000 temporarily restricted net assets for funds restricted by donors for capital improvements to be made to the Organization's residence located in Davenport, Florida. There were no permanently 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 are reported at fair value. Fair value is based on quoted prices for securities traded on public exchanges. Investments acquired by gift or bequest are initially recorded at market or appraised value at the date so acquired. As of June 30, 2005, investments were comprised of common stock.

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. 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.

Contributions:

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. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

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, 2006, the Organization received approximately 965 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.

CROSSING THE FINISH LINE, INC.
Notes to Financial Statements, continued
June 30, 2006 and 2005

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

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 IRC 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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Computer software	\$ 15,913	\$ 13,150
Computer equipment	6,697	5,303
Residence - Davenport, Florida	129,622	129,622
Land - Davenport, Florida	<u>14,402</u>	<u>14,402</u>
	166,634	162,477
Accumulated depreciation	<u>(39,619)</u>	<u>(33,260)</u>
 Property and equipment, net	 <u>\$ 127,015</u>	 <u>\$ 129,217</u>

Depreciation expense was \$6,358 and \$8,386 for the years ended June 30, 2006 and 2005, respectively.

3. Line of Credit:

The Organization has a revolving 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, 2006). As of June 30, 2006, there was no outstanding balance on the line of credit.

CROSSING THE FINISH LINE, INC.
Notes to Financial Statements, continued
June 30, 2006 and 2005

4. Contributions and Expenses In-Kind:

Donated facilities, services and materials have been reflected in the financial statements at market value as both a contribution and corresponding expense and consisted of the following for the years ended June 30, 2006 and 2005, respectively:

	<u>2006</u>	<u>2005</u>
Accommodations	\$ 34,333	\$ 18,480
Computer processing and website design	5,550	9,550
Legal services	3,500	3,500
Office equipment rental	-	2,100
Office supplies	50	-
Printing and reproduction	4,000	14,650
Rent expense	20,000	20,000
Retreat amenities and supplies	54,358	39,317
Special events	<u>67,361</u>	<u>90,263</u>
 Total contributions and expenses in-kind	 <u><u>\$ 189,152</u></u>	 <u><u>\$ 197,860</u></u>

SUPPLEMENTARY INFORMATION

CROSSING THE FINISH LINE, INC.
Schedules of Functional Expenses
For the year ended June 30, 2006

	Program		General & Administrative		Fundraising		Total
	Ordinary	In-Kind	Ordinary	In-Kind	Ordinary	In-Kind	
Accommodations	\$ -	\$ 34,333	\$ -	\$ -	\$ -	\$ -	\$ 34,333
Airline travel	24,676	-	-	-	-	-	24,676
Bank service charges	3,553	-	355	-	1,168	-	5,076
Car rental	5,344	-	-	-	-	-	5,344
Computer software maintenance	2,038	-	195	-	558	-	2,792
Conference and training	1,189	-	114	-	326	-	1,629
Depreciation expense	5,914	-	115	-	329	-	6,358
Dues and subscriptions	479	-	465	-	465	-	1,409
Employee benefits	13,587	-	1,303	-	3,723	-	18,613
Employment taxes	7,768	-	745	-	2,128	-	10,641
Facility expenses	27,042	1,327	-	-	-	-	28,369
Insurance	2,400	-	230	-	657	-	3,287
Limousine travel	132	3,840	-	-	-	-	3,972
Miscellaneous	187	-	18	-	51	-	256
Patient stipend	28,162	-	-	-	-	-	28,162
Port support	1,195	-	-	-	-	-	1,195
Postage and delivery	1,323	-	1,284	-	1,284	-	3,891
Professional fees	-	-	7,975	3,500	-	-	11,475
Printing and reproduction	4,463	1,240	685	200	9,352	2,560	18,500
Rent expense	-	14,600	-	1,400	-	4,000	20,000
Salaries and wages	87,302	-	8,371	-	23,919	-	119,592
Supplies	2,403	213	231	20	658	58	3,583
Technology and website	738	4,995	-	-	82	555	6,370
Telephone	5,165	-	495	-	1,416	-	7,076
Utilities	2,168	-	209	-	592	-	2,969
Sailor program expense	-	48,950	-	-	-	-	48,950
Total Ordinary and In-kind	\$ 227,228	\$ 109,498	\$ 22,790	\$ 5,120	\$ 46,709	\$ 7,173	\$ 418,518
Total Combined		\$ 336,726		\$ 27,910		\$ 53,882	\$ 418,518

See independent auditors' report.

CROSSING THE FINISH LINE, INC.
Schedules of Functional Expenses, continued
For the year ended June 30, 2005

	Program	General & 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	426	8,386
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	476	5,199
Professional fees	-	12,350	-	12,350
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
Sailor program expense	45,567	-	-	45,567
Total	\$ 365,234	\$ 44,392	\$ 30,825	\$ 440,451

See independent auditors' report.

CROSSING THE FINISH LINE, INC.
Schedules of Special Events Expenses
For the years ended June 30, 2006 and 2005

	2006			2005		
	Ordinary	In-kind	Total	Ordinary	In-kind	Total
Awards/Recognition	\$ 514	\$ -	\$ 514	\$ 1,344	\$ -	\$ 1,344
Decoration	4,765	200	4,965	4,984	2,138	7,122
Entertainment	4,975	3,300	8,275	6,373	3,550	9,923
Equipment Rental	3,486	1,700	5,186	3,621	2,300	5,921
Event Committee Expense	419	-	419	976	-	976
Event Insurance	3,498	-	3,498	3,588	-	3,588
Event Production	8,276	1,652	9,928	5,893	650	6,543
Event Signs	2,619	350	2,969	1,440	324	1,764
Facility Rental	21,826	4,350	26,176	22,875	3,500	26,375
Food/Beverage	62,265	19,505	81,770	31,494	46,570	78,064
Miscellaneous, etc.	4,912	100	5,012	1,481	-	1,481
Postage and Delivery	3,401	-	3,401	4,095	-	4,095
Printing and Reproduction	9,592	5,421	15,013	5,108	23,871	28,979
Promotional Items and Prizes	17,526	30,783	48,309	1,927	9,160	11,087
Total	\$ 148,074	\$67,361	\$ 215,435	\$ 95,199	\$ 92,063	\$ 187,262

See independent auditors' report.