

**LIFESPARK CANCER
RESOURCES**

FINANCIAL STATEMENTS

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DECEMBER 31, 2006

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ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
LifeSpark Cancer Resources
Arvada, Colorado

We have reviewed the accompanying statement of financial position of LifeSpark Cancer Resources as of December 31, 2006 and the related statements of activity, functional expenses, and cash flows for the year 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 LifeSpark Cancer Resources.

A review consists principally of inquiries of key 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.

Davis & Co., CPAs, P.C.
Certified Public Accountants

Highlands Ranch, Colorado
February 12, 2007

LIFESPARK CANCER RESOURCES
Statement of Financial Position
December 31, 2006

ASSETS

Current assets

Cash and cash equivalents \$ 32,128

Equipment and furnishings, at cost 8,155
Less: accumulated depreciation (1,077)
7,078

\$39,206

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable \$ 4,893
Accrued payroll liabilities 3,056
7,949

Net assets

Unrestricted 21,257
Temporarily restricted 10,000
31,257

\$39,206

See accompanying notes and accountant's review report.

LIFESPARK CANCER RESOURCES
Statement of Activity
For the Year Ended December 31, 2006

SUPPORT AND REVENUE

Donations from individuals	\$ 9,108
Private sector grants	64,087
Donated services & use of facility	81,465
Program fees	6,847
Donated fixed assets	5,900
Interest & other	<u>1,116</u>

Total public support and revenue 168,523

FUNCTIONAL EXPENSES

Program services	
Energy Partners	121,556
Supporting services	
General & Administrative	9,454
Financial Development	<u>6,246</u>
	<u>15,700</u>
Total expenses	<u>137,266</u>

Net assets, end of year \$31,257

See accompanying notes and accountant's review report.

LIFESPARK CANCER RESOURCES
Statement of Functional Expenses
For the Year Ended December 31, 2006

	<u>Supporting Services</u>			
	<u>Energy Partners</u>	<u>General and Administrative</u>	<u>Financial Development</u>	<u>Total Expenses</u>
Personnel expenses	\$ 23,455	\$ 4,251	\$ 1,613	\$ 29,319
Contributed services	67,240	500	--	67,740
Contract & professional services	8,435	1,528	581	10,544
Occupancy costs	13,725	526	1,651	15,902
Printing, postage & promotion	1,207	213	1,882	3,302
Supplies & equipment	2,368	429	163	2,960
Business insurance	2,108	382	146	2,636
Conferences, meetings & travel	1,658	300	115	2,073
Telecommunications & other	1,370	248	95	1,713
Depreciation	<u>--</u>	<u>1,077</u>	<u>--</u>	<u>1,077</u>
 Total expenses	 <u>\$121,566</u>	 <u>\$9,454</u>	 <u>\$6,246</u>	 <u>\$137,266</u>

See accompanying notes and accountant's review report.

LIFESPARK CANCER RESOURCES
Statement of Cash Flows
For the Year Ended December 31, 2006

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$31,257
Adjustments to reconcile to net cash provided by operating activities:	
Donated fixed assets	(5,900)
Depreciation	1,077
Changes in operating assets and liabilities:	
Increase in accounts payable	4,893
Increase in deferred income	<u>3,056</u>
Net cash flow from operating activities	34,383
Cash flow from investing activities:	
Purchase of fixed assets	<u>(2,255)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$32,128</u>
Supplemental disclosure of cash flow information:	
Non-cash investing activity:	
Donated fixed assets	<u>\$5,900</u>
Non-cash operating activity:	
Donated program services & use of space	<u>\$81,465</u>
Interest received – cash basis	<u>\$19</u>

The accompanying notes are a part of this statement.

LIFESPARK CANCER RESOURCES

Notes to Financial Statements

December 31, 2006

Note 1: Summary of Significant Accounting Policies
Significant accounting policies are as follows:

a. Organization

LifeSpark Cancer Resources (the "Organization") was incorporated under the laws of the State of Colorado on March 25, 2005, but did not commence operations on its own until April 1, 2006. For the first three months of 2006, the Organization's operations were carried out by QuaLife Wellness Community, a separate tax-exempt entity, in their capacity as the Organization's fiscal agent. Activity during 2005 was minimal.

The Organization, through its signature "Energy Partners" program, utilizes a network of around 40 volunteers who are trained energy therapy practitioners to provide weekly sessions of healing and relief to cancer patients in the metro Denver, Colorado area. The energy therapies utilized are Healing Touch and Reiki, both of which are non-invasive hands-on modalities that provide comfort and support while potentially reducing the side effects of traditional forms of cancer treatment. The Organization also provides extensive training to the above mentioned volunteers and collects and analyzes data regarding the effectiveness of energy therapy treatments.

The fees collected from clients based on "ability to pay" only cover a small portion of the total costs of running the program. Accordingly, the Organization relies heavily on contributions from individuals and grants from the private sector.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

The Organization follows the provisions of Financial Accounting Standards (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, as follows:

Unrestricted - Resources not subject to donor-imposed restrictions.

Temporarily restricted - Resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time.

Permanently restricted - Resources that will be held in perpetuity in accordance with donor-imposed restrictions. Only the income generated by the underlying assets is available for use

(Continued)

Notes to Financial Statements
December 31, 2006

Note 1: Summary of Significant Accounting Policies (Continued)

c. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted demand and time deposits to be cash equivalents. The account balance at December 31, 2006 was guaranteed by the Federal Deposit Insurance Corporation.

d. Equipment and furnishings

Expenditures for equipment and furnishing items with extended useful life in excess of \$500 are capitalized at cost. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of operations. The provision for depreciation is calculated using the straight-line method based upon estimated useful lives of five years.

e. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted either for future periods or for specific purposes by the donor are reported as temporarily restricted support that increases that net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor-imposed restriction is satisfied in the same accounting period that the revenue is received, the Organization reports the revenue as "unrestricted."

Client paid program fees are recorded as income in the period earned.

f. Donated assets, services and use of space

In-kind donations of non-cash assets or facility use are recorded at their fair value in the period received if they would have otherwise been purchased. During 2006, the Organization recorded under "occupancy costs," herein, the \$13,725 fair value of the use of space received from several Denver area healthcare facilities that was used for numerous energy therapy sessions. During 2006, the Organization also received and capitalized herein equipment and furnishings with a fair value of \$5,900.

In-kind contributions of donated services that require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not provided by donation, are recorded at their fair value in the period received. The \$67,740 fair value of services received during 2006 from the trained energy therapy practitioners met these criteria and are recorded under "contributed services," herein.

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LIFESPARK CANCER RESOURCES

Notes to Financial Statements

December 31, 2006

Note 1: Summary of Significant Accounting Policies (Continued)

g. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h. Accrued vacation payable

As required by generally accepted accounting principles, the Organization accrues compensated absences such as vacation when earned.

i. Functional expenses

Expenses directly identified with a functional area are charged to such area. If an expense affects more than one area, it is allocated by the time expended or another reasonable basis.

j. Tax status

The Organization has been exempted from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code since March 20, 2006. Prior to that, it operated as a program under the 501(c)(3) tax exemption of another entity. Income from activities not directly related to its tax exempt purpose is subject to taxation as unrelated business income. There were no items of unrelated business income for the year ended December 31, 2006.

Note 2: Temporarily Restricted Net Assets

The Organization's \$10,000 of temporarily restricted net assets at December 31, 2006 represents a foundation grant received in December of 2006 that was restricted by the donor to the expansion of the "Energy Partners" program during 2007.