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INDEPENDENT AUDITORS REPORT

Board of Directors
The Sarcoma Foundation of America, Inc.
9884 Main Street P.O. Box 458
Damascus, MD 20872

We have audited the accompanying statements of financial position of The Sarcoma Foundation of America, Inc. (a nonprofit organization) as of December 31, 2006 and 2005, and the related statements of activities, functional expenses 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 statements 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 Sarcoma Foundation of America, Inc. As of December 31, 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.

New York, New York

August 15, 2007


Ross Wisdom CPA, PLLC

Certified Public Accountant

THE SARCOMA FOUNDATION OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 and 2005

	2006	2005
ASSETS		
<u>Current assets</u>		
Cash - checking	\$160,816	\$138,843
Cash - savings	271,189	147,884
Cash - certificate of deposit	0	253,543
Total cash (note 2)	432,005	540,270
Accounts receivable (note 3)	110,000	
Investments (note 4)	491,316	0
Total current assets	1,033,321	540,270
<u>Fixed assets</u>		
Machinery and equipment	6,150	4,488
Computer equipment	7,121	7,121
Furniture and fixtures	8,099	8,099
Less: Accumulated depreciation	(4,492)	(934)
Total fixed assets (net) (note 1)	16,878	18,774
<u>Other assets</u>		
Prepaid expenses and security deposits (note 5)	14,609	26,825
Total assets	\$1,064,808	\$585,869
LIABILITIES & NET ASSETS		
<u>Current liabilities</u>		
Accrued expenses	\$7,470	\$4,800
Credit card payable	293	2,511
Total current liabilities	7,763	7,311
<u>Net Assets</u>		
Unrestricted net assets	923,055	453,558
Temporarily restricted net assets (note 1)	133,990	125,000
Total unrestricted net assets	1,057,045	578,558
Total liabilities & net assets	\$1,064,808	\$585,869

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

THE SARCOMA FOUNDATION OF AMERICA, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2006 and 2005

	2006	2005
UNRESTRICTED NET ASSETS		
Support and revenue		
Special events	\$354,789	\$431,911
Less direct expenses (note 6)	(317,421)	(214,916)
Donations and contributions	680,646	163,255
Interest and dividend income	26,195	4,958
Other income	52	0
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Total unrestricted revenue	744,261	385,208
Net assets released from restrictions	125,000	100,000
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Total unrestricted revenue, gains and other support	869,261	485,208
Expenses		
Programs	249,395	171,353
Management and general	132,283	53,688
Fundraising expenses	17,099	949
Unrealized gains and losses (note 4)	987	0
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Total expenses	399,764	225,990
Increased in unrestricted net assets	469,497	259,218
Unrestricted net assets, beginning of year	453,558	194,340
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Unrestricted net assets, end of year	923,055	453,558
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TEMPORARILY RESTRICTED NET ASSETS		
Special events contributions (note 1)	33,990	41,300
Donations and contributions (note 1)	100,000	50,700
Net assets released from restrictions	(125,000)	(100,000)
	<hr/>	<hr/>
Increase (decrease) in temporarily restricted net assets	8,990	(8,000)
Temporarily restricted net assets, beginning of year	125,000	133,000
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Temporarily restricted net assets, end of year	133,990	125,000
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Net assets, end of year	\$1,057,045	\$578,558

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

THE SARCOMA FOUNDATION OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006

	Total	Program Services	Management and General	Fundraising Expenses
Grants (note 9)	\$190,000	\$190,000		
Salaries and wages	96,781	27,301	\$61,524	\$7,956
Employee benefits	7,098	2,002	4,513	583
Payroll taxes	7,695	2,171	4,892	632
Accounting fees	6,075		6,075	
Bank and credit card charges	2,267		2,267	
Business gifts	267		267	
Conferences and meetings	1,627	456	748	423
Depreciation	3,558		3,558	
Filing fees	3,754		3,754	
Insurance	4,736	318	4,418	
Interest expense	9,116		9,116	
Legal and professional fees	8,017		3,250	4,767
Membership fees	3,975		3,975	
Office supplies and expense	1,083		1,083	
Patient registry	13,831	13,831		
Payroll service fees	1,216	180	936	100
Postage and mailings	3,192	2,078	1,041	73
Printing and publications	5,890	4,123	589	1,178
Property taxes	1,432		1,432	
Recruitment	1,123		1,123	
Rent	12,414		12,414	
Repairs and maintenance	1,820		1,820	
Security	454			454
Staff development	210		210	
Telephone	1,754	1,175	579	
Travel	3,587	1,004	1,650	933
Utilities	1,049		1,049	
Website and internet service	4,756	4,756		
Total expenses	\$398,777	\$249,395	\$132,283	\$17,099

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

THE SARCOMA FOUNDATION OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005

	Total	Program Services	Management and General	Fundraising Expenses
Grants (note 9)	\$100,000	\$100,000		
Consultants	63,075	56,767	\$6,308	
Salaries and wages	14,329	4,231	10,098	
Accounting fees	7,005		7,005	
Advertising	734		73	\$661
Bank and credit card charges	1,044		1,044	
Conferences & meetings	2,626	2,313	313	
Depreciation	612		612	
Employee benefits	3,923	1,158	2,765	
Fees and permits	180		180	
Filing fees	1,200		1,200	
Insurance	2,467		2,467	
Legal and professional fees	2,848		2,848	
Membership fees	3,400		3,400	
Office supplies and expense	1,961		1,961	
Payroll taxes	1,500	443	1,057	
Payroll service fees	256	180	76	
Postage and mailings	1,044		1,044	
Printing and publications	6,160		6,160	
Recruitment	900		900	
Rent	3,500		3,500	
Telephone	1,652	1,239	413	
Travel	2,142	1,928	214	
Website & internet service	2,876	2,588		288
Miscellaneous expenses	556	506	50	
Total expenses	\$225,990	\$171,353	\$53,688	\$949

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

THE SARCOMA FOUNDATION OF AMERICA, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Increase in net assets	\$478,487	\$251,218
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,558	612
Increase in accounts receivable	(110,000)	0
Decrease in prepaid expenses	12,216	(17,825)
Decrease in accrued expenses	452	2,561
Net cash provided by operating activities	<u>384,713</u>	<u>236,566</u>
Cash flows from investing activities		
Acquisition of fixed assets	(1,662)	(17,701)
Cash flows from financing activities	0	0
Acquisition of investments	<u>(491,316)</u>	<u>0</u>
Increase in cash	(108,265)	218,865
Cash, beginning of year	<u>540,270</u>	<u>321,405</u>
Cash, end of year	<u><u>\$432,005</u></u>	<u><u>\$540,270</u></u>
 SUPPLEMENTAL DISCLOSURES		
Interest paid	\$9,116	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

THE SARCOMA FOUNDATION OF AMERICA, INC.
Notes To Financial Statements
December 31, 2006

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Summary of Significant Accounting Policies

The Sarcoma Foundation of America, Inc. is an organization formed to advocate and provide medical research funding for the development of novel therapies against sarcoma.

The Organization was incorporated as a not-for-profit corporation under Maryland law and has been recognized as a tax-exempt charitable organization under section 501(c)(3) of the Internal Revenue Code and is registered in California, Connecticut, Georgia, Illinois, Massachusetts, Michigan, Minnesota, New York, North Carolina, Oregon, Pennsylvania, Virginia, Washington state and Wisconsin.

Basis of Presentation

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains & losses are recognized when earned or incurred and classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may be met, either by actions of the Organization and/or the passage of time. When a 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. As of December 31, 2006 and 2005 temporarily restricted assets consisted of the following donor specified grants:

THE SARCOMA FOUNDATION OF AMERICA, INC.
Notes To Financial Statements
December 31, 2006
(Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets (continued)

	<u>2006</u>	<u>2005</u>
John Goyert Research Grant	\$ 25,000	
Marny Tobin Research Grant	13,393	
Monte Carlo Fundraiser	20,597	
Reindeer Race Research Grant	50,000	
Shelby Richter Research Grant	25,000	
Bradley Breidinger Research Grant		\$ 25,000
Brian Monaghan Research Grant		25,000
Paul Rumely Research Grant		25,000
Shelby Richter Research Grant		25,000
Steve Close Research Grant		<u>25,000</u>
Total	<u>\$ 133,990</u>	<u>\$ 125,000</u>

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations, maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Income Taxes

The Organization has qualified as a publicly supported tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and had no unrelated business tax and therefore has made no provision for Federal income taxes.

THE SARCOMA FOUNDATION OF AMERICA, INC.
Notes to Financial Statements
December 31, 2006
(Continued)

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Statement of Cash Flows

The organization considers all short-term investments with an original maturity of three month or less to be cash equivalents.

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.

Property and equipment

Purchases of property & equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the expected useful lives of the assets.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are considered to be all highly liquid debt instruments with a maturity date of 90 days or less from the date of purchase. At December 31, 2006 and 2005 these accounts consisted primarily of cash in bank as follows:

THE SARCOMA FOUNDATION OF AMERICA, INC.
Notes to Financial Statements
December 31, 2006
(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

	<u>2006</u>	<u>2005</u>
Sandy Spring Bank	\$ 225,224	\$ 457,466
Citibank	101,633	
Paypal	95,322	55,396
North Fork Bank		27,405
Uvest Financial Services	9,826	
A. G Edwards		3
Total	<u>\$ 432,005</u>	<u>\$ 540,270</u>

NOTE 3 - GRANTS RECEIVABLE

This account consists of grants and bequests receivable as follows:

	<u>2006</u>	<u>2005</u>
Estate of Linda Anne Jellenik	\$ 100,000	
Pfizer, Inc	10,000	\$ 0
Total	<u>\$ 110,000</u>	<u>\$ 0</u>

NOTE 4 - INVESTMENTS:

Investments in marketable securities are presented in the financial statements at fair market value in accordance with SFAS 124. At December 31, 2006 the aggregate fair market value was as follows:

Corporate bonds		\$ 455,955
U.S. government obligations		<u>35,361</u>
Total		<u>\$ 491,316</u>

This includes net unrealized gains for the year ended December 31, 2006 of \$987.

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS AND DEPOSITS

Prepaid expenses and other assets consists of 2007 special event venue advance payment paid as of December 31, 2006 of \$10,000 and other assets and deposits of \$1,775.

THE SARCOMA FOUNDATION OF AMERICA, INC.
Notes to Financial Statements
December 31, 2006
(Continued)

NOTE 6 - SPECIAL EVENTS

During the years December 31, 2006 and 2005 the organization ran or benefited from a series of special events. The total amount received amounted to \$ 788,845 for year 2006 and \$ 473,211 for year 2005. Related expenses were as follows:

	<u>2006</u>	<u>2005</u>
Food, beverage and catering	\$ 4,092	\$ 77,617
Consultants	74,077	49,500
Venue	157,273	41,775
Entertainment	22,835	11,775
Production	7,950	11,050
Postage, supplies and miscellaneous	3,467	9,919
Flowers	4,320	9,000
Printing	6,544	4,280
Auction expenses	6,650	
Equipment rental	677	
Graphic design	2,000	
Insurance	1,490	
Sweepstakes	21,265	
Fees	1,846	
Photographers	500	
Travel	<u>2,436</u>	<u>0</u>
Total expenses	<u>\$ 317,422</u>	<u>\$ 214,916</u>

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Sarcoma Foundation of America maintains several bank accounts. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$100,000. Cash at these institutions does not exceeded federally insured limits for year ended December 31, 2006.

NOTE 8 - DONATED SERVICES

During the year ended December 31, 2006 contributed services were received by the organization related to their annual gala. No amounts have been reflected in the financial statements for those contributed services since they do not meet the criteria for recognition in the financial statements under SFAS No. 116, Accounting for Contributions Received and Contributions Made.

THE SARCOMA FOUNDATION OF AMERICA, INC.
Notes to Financial Statements
December 31, 2006
(Continued)

NOTE 9 - GRANTS DISBURSEMENTS AND ALLOCATION

During the years December 31, 2006 and 2005 the organization awarded and disbursed \$190,000 and \$100,000 respectively of research grants to the following organizations:

	<u>2006</u>	<u>2005</u>
1) Division of Surgical Oncology Massachusetts General Hospital		\$ 25,000
2) Memorial Sloan Kettering Cancer Center	\$ 50,000	25,000
3) Children Cancer Research Institute The University of Texas Health Science Center		25,000
4) Department of Human Generics University of Utah		25,000
5) University of Oklahoma Health Sciences Center - Office of Research Admin.	25,000	
6) Department of Pathology Stanford University School of Medicine	25,000	
7) Trustees of Columbia University	25,000	
8) Baylor College of Medicine Texas Children's Cancer Center	25,000	
9) ASCO Foundation	40,000	0
Totals	<u>\$ 190,000</u>	<u>\$ 100,000</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The organization has negotiated a new lease at a monthly base rent of \$1,400 for office space located at 9884 Main Street, Damascus, MD. The terms of the lease are for three (3) years starting on October 1, 2005.

The minimum annual lease payments for the next five years are as follows:

<u>Period</u>	<u>Base Rent</u>
01/01/07 - 12/31/07	16,800
01/01/08 - 09/30/08	12,600

The above annual lease amounts are subject to adjustment for increases in utilities, real estate taxes and building operating costs.

THE SARCOMA FOUNDATION OF AMERICA, INC.
Notes to Financial Statements
December 31, 2006
(Continued)

NOTE 10 - RELATED PARTY TRANSACTIONS

There were no related party transactions identified for the year ended December 31, 2006.

NOTE 11 - SUBSEQUENT EVENTS

No subsequent events of material nature came to our attention warranting adjustment or disclosure.