

GILDA'S CLUB NASHVILLE
FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
DECEMBER 31, 2005 AND 2004

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Gilda's Club Nashville
Nashville, Tennessee

We have audited the accompanying statements of financial position of Gilda's Club Nashville (the "Agency") as of December 31, 2005 and 2004, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency'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 position of Gilda's Club Nashville as of December 31, 2005 and 2004, 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.

Kraft CPAs PLLC

Nashville, Tennessee
June 5, 2006

GILDA'S CLUB NASHVILLE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 406,506	\$ 416,291
Prepaid expenses	14,750	9,750
Property and equipment - at cost, less accumulated depreciation - Note 3	3,320	5,991
Assets restricted for capital campaign - Note 2:		
Cash and cash equivalents	191,265	2,560
Contributions receivable	<u>1,583,566</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 2,199,407</u>	 <u>\$ 434,592</u>
 LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 9,454</u>	<u>\$ 7,442</u>
 LEASES - Note 4		
 NET ASSETS		
Unrestricted		
Board designated - long-term stability fund - Note 2	153,266	100,617
Undesignated	<u>258,496</u>	<u>288,557</u>
Total unrestricted	411,762	389,174
 Temporarily restricted - Note 5	<u>1,778,191</u>	<u>37,976</u>
	<u>2,189,953</u>	<u>427,150</u>
 TOTAL NET ASSETS	 <u>\$ 2,199,407</u>	 <u>\$ 434,592</u>

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

GILDA'S CLUB NASHVILLE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005		
	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE			
Public support:			
Individuals and corporate gifts and grants	\$ 212,143	\$ 47,994	\$ 260,137
Special events	154,911	-	154,911
Less: direct benefits to donors	(12,215)	-	(12,215)
Annual campaign	36,390	-	36,390
Capital campaign	-	1,859,290	1,859,290
Interest income	10,982	-	10,982
Net assets released in satisfaction of program restrictions	<u>167,069</u>	<u>(167,069)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>569,280</u>	 <u>1,740,215</u>	 <u>2,309,495</u>
 EXPENSES			
Program services	386,794	-	386,794
Supporting services:			
Management and general	55,308	-	55,308
Fundraising:			
Operations	32,708	-	32,708
Capital campaign	<u>71,882</u>	<u>-</u>	<u>71,882</u>
 TOTAL EXPENSES	 <u>546,692</u>	 <u>-</u>	 <u>546,692</u>
 CHANGE IN NET ASSETS	 22,588	 1,740,215	 1,762,803
 NET ASSETS - BEGINNING OF YEAR	 <u>389,174</u>	 <u>37,976</u>	 <u>427,150</u>
 NET ASSETS - END OF YEAR	 <u>\$ 411,762</u>	 <u>\$ 1,778,191</u>	 <u>\$ 2,189,953</u>

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

2004		
Unrestricted	Temporarily Restricted	Totals
\$ 242,550	\$ 47,450	\$290,000
122,867	-	122,867
(17,432)	-	(17,432)
25,786	-	25,786
-	2,560	2,560
3,251	-	3,251
<u>113,760</u>	<u>(113,760)</u>	<u>-</u>
<u>490,782</u>	<u>(63,750)</u>	<u>427,032</u>
309,578	-	309,578
53,027	-	53,027
82,215	-	82,215
<u>-</u>	<u>-</u>	<u>-</u>
<u>444,820</u>	<u>-</u>	<u>444,820</u>
45,962	(63,750)	(17,788)
<u>343,212</u>	<u>101,726</u>	<u>444,938</u>
<u>\$ 389,174</u>	<u>\$ 37,976</u>	<u>\$427,150</u>

GILDA'S CLUB NASHVILLE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,762,803	\$ (17,788)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,671	5,167
Noncash contribution of equipment	-	(2,600)
Restricted contributions for capital campaign	(1,859,290)	(2,560)
(Increase) decrease in:		
Contribution receivable	-	82,500
Prepaid expenses	(5,000)	(5,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,012	410
TOTAL ADJUSTMENTS	<u>(1,859,607)</u>	<u>77,917</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(96,804)</u>	<u>60,129</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	-	(1,302)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(1,302)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions collected	275,724	2,560
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>275,724</u>	<u>2,560</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	178,920	61,387
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>418,851</u>	<u>357,464</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 597,771</u>	<u>\$ 418,851</u>

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

GILDA'S CLUB NASHVILLE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005				
	SUPPORTING SERVICES				
		MANAGEMENT	FUNDRAISING		
		AND		CAPITAL	
PROGRAM SERVICES		GENERAL	OPERATIONS	CAMPAIGN	TOTALS
Salaries	\$ 142,829	\$ 31,257	\$ 8,115	\$ 24,397	\$ 206,598
Payroll taxes and benefits	27,062	5,884	1,566	4,707	39,219
Contract labor	<u>12,323</u>	<u>103</u>	<u>103</u>	<u>-</u>	<u>12,529</u>
TOTAL SALARIES AND RELATED EXPENSES	182,214	37,244	9,784	29,104	258,346
Annual campaign expense	-	-	4,222	-	4,222
Bank charges	-	116	-	-	116
Business taxes and licenses	260	270	-	-	530
Credit card fees	-	3,054	-	-	3,054
Dining expense	-	-	-	-	-
Dues and memberships	647	23	23	-	693
Educational and library expense	-	-	-	-	-
Equipment lease	-	-	-	-	-
Food and beverage	2,427	429	126	-	2,982
Gifts and promotions	1,386	119	1	-	1,506
Gildagram newsletter expenses	6,595	-	733	-	7,328
Insurance	11,327	1,818	513	-	13,658
Management information assistance	192	11	11	-	214
Meetings and workshops	2,733	16	16	363	3,128
Outreach	6,841	-	-	-	6,841
Postage	4,645	264	260	-	5,169
Printing	5,192	113	113	700	6,118
Professional fees and services	2,334	6,156	2,333	41,109	51,932
Rent	79,786	4,433	4,432	-	88,651
Repairs and maintenance	2,495	169	69	-	2,733
Seminars and conferences	4,005	400	400	-	4,805
Supplies	10,407	28	179	606	11,220
Telephone	4,848	262	262	-	5,372
Travel	10	7	7	-	24
Utilities	4,424	242	246	-	4,912
Special events expense	-	-	20,793	-	20,793
Expenses related to proposed new clubhouse: Rent - Note 4	<u>51,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,889</u>
TOTAL EXPENSES BEFORE DEPRECIATION	384,657	55,174	44,523	71,882	556,236
Depreciation	<u>2,137</u>	<u>134</u>	<u>400</u>	<u>-</u>	<u>2,671</u>
TOTAL EXPENSES	386,794	55,308	44,923	71,882	558,907
Less expenses netted against revenues on the statement of activities - direct benefits to donors	<u>-</u>	<u>-</u>	<u>(12,215)</u>	<u>-</u>	<u>(12,215)</u>
TOTAL EXPENSES REPORTED UNDER PROGRAM SERVICES AND SUPPORTING SERVICES	\$ 386,794	\$ 55,308	\$ 32,708	\$ 71,882	\$ 546,692

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

2004

SUPPORTING SERVICES			
PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING - OPERATIONS	TOTALS
\$ 152,310	\$ 34,568	\$ 31,581	\$ 218,459
27,990	5,802	5,575	39,367
<u>10,990</u>	<u>130</u>	<u>130</u>	<u>11,250</u>
191,290	40,500	37,286	269,076
-	-	5,221	5,221
32	143	-	175
65	440	-	505
-	2,502	-	2,502
-	236	-	236
514	22	29	565
-	143	-	143
463	26	26	515
2,388	445	-	2,833
794	36	13	843
5,644	-	627	6,271
9,581	1,675	428	11,684
1,061	340	340	1,741
1,820	19	19	1,858
7,178	2	-	7,180
4,418	210	225	4,853
4,810	74	874	5,758
4,853	2,159	2,159	9,171
52,492	2,913	2,913	58,318
2,210	60	40	2,310
2,519	232	173	2,924
4,251	95	39	4,385
5,145	281	281	5,707
23	-	3	26
3,893	216	216	4,325
-	-	47,960	47,960
-	-	-	-
305,444	52,769	98,872	457,085
<u>4,134</u>	<u>258</u>	<u>775</u>	<u>5,167</u>
309,578	53,027	99,647	462,252
-	-	(17,432)	(17,432)
<u>\$ 309,578</u>	<u>\$ 53,027</u>	<u>\$ 82,215</u>	<u>\$ 444,820</u>

GILDA'S CLUB NASHVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Gilda's Club Nashville (the "Agency") was organized in 1995 as a Tennessee not-for-profit corporation. The Agency provides a unique environment, free of charge, where people living with cancer, their families and friends, can join together with others in building social and emotional support as a supplement to regular medical care.

Contributions and support

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

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

Noncash gifts of equipment or materials are reported at fair value as unrestricted support, unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents include highly liquid instruments with original maturities when acquired of three months or less. For purposes of the Statement of Cash Flows, balances restricted for the capital campaign are combined with operating accounts.

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (4.33% in 2005). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible amounts has not been provided on contributions receivable since, in management's opinion, the receivable amounts are fully collectible, based on the makeup of the receivables balance.

GILDA'S CLUB NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation

Property and equipment are reported at cost at the date of purchase, at fair value at the date of gift if the value is readily determinable, or other reasonable basis, as determined by the Board of Directors, if cost is unknown. Depreciation is calculated by the straight-line method, down to the estimated salvage value of the assets, over their estimated useful lives, which range 5 years for computers and related equipment and 7 years for furniture.

Income taxes

The Agency qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Accrued employee leave

Compensated absences expense is accrued for vacation days earned by employees that will be paid in the future. Eligible employees earn vacation days based on length of service and anniversary date. Unused vacation days cannot be carried over.

Donated goods and services

Donated goods are recorded as gifts in the period received at fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Agency if not provided by the donor. Such services are recognized at fair value as support and expense in the period the services are performed.

Donated goods and services amounted to approximately \$27,000 in 2005 (\$33,000 in 2004).

In addition, during 2005 and 2004, a substantial number of unpaid volunteers contributed approximately 5,000 hours of their time to the Agency's program and supporting services. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

GILDA'S CLUB NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services

The following functional expense classifications are included in the accompanying financial statements:

Program services - consist of activities relating to support and networking groups, lectures, workshops and social events in a nonresidential home-like setting (clubhouse facility), provided free of charge to adults and children living with cancer, and to their families and friends.

Management and general - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials. Fundraising expenses related to the capital campaign are reported separately.

Capital campaign - includes cost of solicitations in 2005 for the capital campaign specifically related to acquisition of a new clubhouse, renovation of the building, funding the first year's operating expenses and certain other costs related to the new facility, and establishment of an endowment fund.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Reclassifications

Certain classifications have been made to prior year amounts to be comparative with the current year's presentation.

GILDA'S CLUB NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 2 - CONTRIBUTIONS RECEIVABLE

In 2003, the Agency received a pledge of \$25,000 per year for four years, which was conditioned upon the receipt of matching gifts from other donors. The first three years' pledges and corresponding matching gifts were received in 2005, 2004 and 2003, for a total of \$150,000. These amounts and the related investment earnings have been designated by the Agency's Board of Directors as a long-term stability fund.

Contributions receivable consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Temporarily restricted:		
Less than one year	\$ 323,500	\$ -
One to five years	<u>1,394,800</u>	<u>-</u>
	1,718,300	-
Less discount to net present value	<u>(134,734)</u>	<u>-</u>
Total	<u>\$ 1,583,566</u>	<u>\$ -</u>

During 2005, the Agency began a capital campaign for the purpose of acquiring a new clubhouse facility, funding the first year's operating expenses and certain other costs related to the new facility, and starting an endowment fund. The new facility was acquired in March 2006 (see Note 4.)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2005</u>	<u>2004</u>
Furniture and equipment	\$ 50,557	\$ 50,557
Less accumulated depreciation	<u>47,237</u>	<u>44,566</u>
	<u>\$ 3,320</u>	<u>\$ 5,991</u>

GILDA'S CLUB NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 4 - LEASES

The Agency leases its clubhouse facility for its operations and programs under an operating lease. The lease required monthly rental payments of \$4,831 through July 2005, and provided for two one-year renewal options. In August 2005, the Agency exercised a one-year renewal option requiring monthly rental payments of \$6,349 through July 2006. In conjunction with this renewal, the Agency was required to pay an additional \$20,000 for retroactive consumer price index (CPI) increases. Total rent expense incurred under the lease, including the additional CPI charges, amounted to \$86,851 in 2005 (\$57,969 in 2004).

The Agency also leases 10 parking spaces for its operations and programs under an operating lease. The lease provided for monthly rental payments of \$150 beginning November 2004 and running through October 31, 2005. A verbal renewal of this arrangement through February 2006 was agreed to at expiration. Total rent expense incurred under the lease amounted to \$1,800 in 2005 (\$350 in 2004).

During 2005, the Agency entered into a verbal agreement with a related limited liability company to rent the building that it planned to acquire for its new facility and clubhouse. The limited liability company is comprised of one current Board member, one prior Board member and an unrelated party who purchased the property in February 2005 with the understanding that the Agency would acquire the property within 18 months after its capital campaign was in progress. The Agency paid \$51,889 rent on this property in 2005. Such costs are reported as program services in the Statement of Functional Expenses. In March 2006, the Agency purchased the property for \$1,236,000, which was the same price paid by the related party.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	<u>2005</u>	<u>2004</u>
Next year's operations	\$ 3,360	\$ 5,416
Program expansion for Cancer Survivors and Young Adults and Teens	-	25,000
Dinner party and auction	-	5,000
Contributions restricted for capital campaign	<u>1,774,831</u>	<u>2,560</u>
	<u>\$ 1,778,191</u>	<u>\$ 37,976</u>

GILDA'S CLUB NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

The Agency maintains cash balances and money market accounts at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or the Security Investors Protection Corporation up to \$100,000 and \$500,000, respectively. From time to time throughout the year, the Agency's bank accounts exceeded FDIC and SIPC insurance limits. Management considers this to be a normal business risk.

Contributions receivable consist of individual and corporate contribution pledges. At December 31, 2005, contributions from three donors amounted to 43%, 13% and 11%, respectively, of total support and revenues (none in 2004). Contributions receivable from these donors amounted to \$1,450,000, or 84% of total contributions receivable (before the present value discount).

NOTE 7 - ENDOWMENT FUND IN TRUST

Gilda's Club Nashville is the named beneficiary of an endowment fund held in trust by the Community Foundation of Middle Tennessee. The endowment fund was created by numerous individual contributors and continues to receive annual donations from individuals. Earnings on this fund are for general operations and programs of the Agency. Total funds held in the trust, which are excluded from the assets of the Agency, amounted to \$11,122 at December 31, 2005 (\$9,398 in 2004).