

UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
(A Nonprofit Organization)

Financial Statements

For the Years Ended June 30, 2014 and 2013

With Independent Auditors' Report Thereon

H A Beasley & Company, PC
Certified Public Accountants
Murfreesboro, Tennessee

UNITED WAY OF RUTHERFORD COUNTY

DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES

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H A Beasley & Company, PC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Rutherford County dba United Way of Rutherford and Cannon Counties

We have audited the accompanying financial statements of United Way of Rutherford County dba United Way of Rutherford and Cannon Counties (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

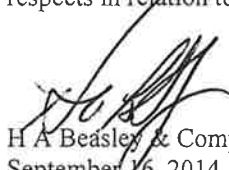
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Rutherford County dba United Way of Rutherford and Cannon Counties as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Amounts Given to Agencies (Cash Basis) on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


H A Beasley & Company, PC
September 16, 2014

A Positive Difference Through Professional Accounting Service

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**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013**

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 1,472,700	\$ 1,511,436
Promises to give, net	1,471,441	1,321,639
Investments	651,480	576,662
Prepaid expenses	27,288	26,480
Other current assets	<u>-</u>	<u>150</u>
Total current assets	3,622,909	3,436,367
PROPERTY AND EQUIPMENT, NET	9,195	12,531
INVESTMENTS	<u>268,699</u>	<u>236,799</u>
TOTAL ASSETS	<u>\$ 3,900,803</u>	<u>\$ 3,685,697</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,611	\$ 43,753
Due to agencies	2,072,632	1,839,248
Due to designated agencies	68,412	352,222
Community needs assessment	3,750	38,750
Deferred revenue	23,728	8,772
Accrued expenses	<u>13,747</u>	<u>16,723</u>
Total current liabilities	2,204,880	2,299,468
NET ASSETS		
Unrestricted net assets		
Undesignated unrestricted net assets (deficit)	33,182	(35,892)
Board designated for operations	213,278	188,940
Board designated for agency endowment	<u>62,371</u>	<u>54,396</u>
Total unrestricted net assets	308,831	207,444
Temporarily restricted net assets	<u>1,387,092</u>	<u>1,178,785</u>
Total net assets	<u>1,695,923</u>	<u>1,386,229</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 3,900,803</u>	<u>\$ 3,685,697</u>

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014		2013	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted
PUBLIC SUPPORT AND REVENUE				
Public support				
Contributions	\$ 1,697,100	\$ 1,387,092	\$ 3,084,192	\$ 1,178,785
Net assets released from restrictions	1,178,785	(1,178,785)	-	(1,126,656)
Total public support	2,875,885	208,307	3,084,192	52,129
Revenue				
Interest and dividend income	32,311	-	32,311	-
Realized gains on investments	90,838	-	90,838	-
Unrealized gains (losses) on investments	3,632	-	3,632	-
Federal grant income	-	-	-	-
Other income	29,499	-	29,499	-
Total revenue	156,280	-	156,280	-
Total public support and revenue	3,032,165	208,307	3,240,472	52,129
EXPENSES				
Programs				
Fund distribution	2,183,500	-	2,183,500	-
Information and referral program	26,422	-	26,422	-
Other programs	316,591	-	316,591	-
Total programs	2,526,513	-	2,526,513	-
Fundraising	82,178	-	82,178	-
Management and general	322,087	-	322,087	-
Total expenses	2,930,778	-	2,930,778	-
Increase in net assets	101,387	208,307	309,694	52,129
Net assets (deficit) at beginning of year	207,444	1,178,785	1,386,229	1,126,656
Net assets at end of year	\$ 308,831	\$ 1,387,092	\$ 1,695,923	\$ 1,178,785

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	Programs			Other Functional Expenses		Total
	Fund Distribution	Information and Referral	Other Programs	Fund Raising	Management and General	
Salaries and related expenses						
Salaries and wages	\$ -	\$ -	\$ 163,806	\$ 64,889	\$ 169,286	\$ 397,981
Employee insurance	-	-	27,389	(66)	33,731	61,054
Retirement	-	-	3,543	1,359	3,808	8,710
Payroll taxes	-	-	12,597	5,053	12,958	30,608
Total Salaries and related expenses	-	-	207,335	71,235	219,783	498,353
Other expenses						
Advertising	-	-	310	-	380	690
Agency allocations	2,183,500	-	-	-	-	2,183,500
Bank service fees	-	-	-	-	1,158	1,158
Promotional items	-	-	1,785	659	2,172	4,616
Conference fees	-	-	250	-	-	250
Depreciation	-	-	2,197	-	2,795	4,992
Employee development	-	-	984	120	1,125	2,229
Equipment maintenance/rental	-	-	2,828	-	3,600	6,428
Fundraiser events	-	-	36,392	418	20,075	56,885
General insurance	-	-	1,863	-	2,371	4,234
Investment fees	-	-	4,936	-	6,282	11,218
Meetings	-	-	517	437	637	1,591
Membership dues	-	26,422	15,228	-	19,381	61,031
Miscellaneous	-	-	89	-	119	208
Occupancy	-	-	13,464	-	17,136	30,600
Office supplies	-	-	2,331	-	2,981	5,312
Professional services	-	-	12,241	-	12,065	24,306
Postage	-	-	1,852	102	2,239	4,193
Printing and publication	-	-	3,707	1,793	4,588	10,088
Signage	-	-	117	-	38	155
Software	-	-	300	-	351	651
Taxes	-	-	84	-	433	517
Telephone	-	-	2,720	1,900	3,453	8,073
Travel	-	-	4,508	5,514	(1,778)	8,244
Staff appreciation	-	-	553	-	703	1,256
Total Other expenses	2,183,500	26,422	109,256	10,943	102,304	2,432,425
Total Expenses	\$ 2,183,500	\$ 26,422	\$ 316,591	\$ 82,178	\$ 322,087	\$ 2,930,778

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	Programs			Other Functional Expenses		Total
	Fund Distribution	Information and Referral	Other Programs	Fund Raising	Management and General	
Salaries and related expenses						
Salaries and wages	\$ -	\$ -	\$ 170,066	\$ 73,537	\$ 141,719	\$ 385,322
Employee insurance	-	-	28,028	-	31,547	59,575
Retirement	-	-	3,558	1,386	3,031	7,975
Payroll taxes	-	-	13,464	5,861	11,276	30,601
Total Salaries and related expenses	-	-	215,116	80,784	187,573	483,473
Other expenses						
Advertising	-	-	3,189	-	4,065	7,254
Agency allocations	1,818,248	-	-	-	-	1,818,248
Bank service fees	-	-	362	-	552	914
Campaign incentives	-	-	1,646	4,224	399	6,269
Conference fees	-	-	756	-	2,212	2,968
Depreciation	-	-	2,318	-	2,950	5,268
Employee development	-	-	1,857	30	2,267	4,154
Equipment maintenance/rental	-	-	2,399	-	3,063	5,462
Fundraiser events	178	-	22,162	6,209	16,185	44,734
General insurance	-	-	1,690	-	2,151	3,841
Investment fees	-	-	4,418	-	5,623	10,041
Meetings	-	-	1,036	691	-	1,727
Membership dues	-	23,925	14,045	-	17,876	55,846
Miscellaneous	-	-	5,126	121	-	5,247
Occupancy	-	-	13,464	-	17,136	30,600
Office supplies	-	-	2,817	39	3,543	6,399
Professional services	-	-	6,612	-	7,937	14,549
Postage	-	-	1,942	54	2,498	4,494
Printing and publication	-	-	3,065	3,449	2,217	8,731
Signage	-	-	1,810	-	2,304	4,114
Software	-	-	51	-	66	117
Taxes	-	-	208	-	1,014	1,222
Telephone	-	-	2,680	1,350	3,583	7,613
Travel	-	-	5,116	4,713	-	9,829
Volunteer appreciation	-	-	509	-	646	1,155
Total Other expenses	1,818,426	23,925	99,278	20,880	98,287	2,060,796
Total Expenses	\$ 1,818,426	\$ 23,925	\$ 314,394	\$ 101,664	\$ 285,860	\$ 2,544,269

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 309,694	\$ 260,773
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,991	5,268
Earnings on investments	(32,311)	(27,426)
Fees paid on investments	4,936	10,041
Realized gain on sale of investments	(90,838)	(47,001)
Unrealized gain on investments	(3,632)	(3,957)
(Increase) in operating assets:		
Pledges receivable	(149,802)	(95,928)
Prepaid expenses	(808)	(4,671)
Other current assets	150	(150)
Increase (decrease) in operating liabilities:		
Accounts payable	(21,142)	29,988
Due to agencies	233,384	13,748
Due to designated agencies	(283,810)	161,572
Community needs assessment	(35,000)	38,750
Deferred revenues	14,956	(23,647)
Accrued expenses	(2,976)	(584)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(52,208)	316,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,655)	(1,648)
Proceeds from sale of investments	143,499	368,065
Purchase of investments	(128,372)	(362,725)
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,472	3,692
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(38,736)	320,468
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,511,436	1,190,968
CASH AND EQUIVALENTS, END OF YEAR	\$ 1,472,700	\$ 1,511,436

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The United Way of Rutherford County dba United Way of Rutherford and Cannon Counties (the Organization) is a member of the United Way World Wide. The Organization completes a series of requirements in thirteen areas to maintain its membership. The United Way of Rutherford County dba United Way of Rutherford and Cannon Counties improves lives by advancing opportunities for education, health and financial stability for all. The United Way of Rutherford County dba United Way of Rutherford and Cannon Counties serves as a primary community solutions leader that produces measureable, sustainable results through mobilizing and engaging the community it serves.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities.

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.

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. At June 30, 2014 and 2013 the Organization had no permanently restricted net assets.

Public support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Because of the inherent uncertainties in estimating collections, it is at least reasonably possible that the estimates used will change within the near term.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as public support and revenues when received or unconditionally pledged. All contributions are available for unrestricted use unless specially restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Equivalents

For purposes of the statements of cash flows, cash equivalents include all highly liquid investments with an initial maturity of three months or less and all certificates of deposit.

Promises to Give, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value, based on prior years' experience and management's analysis of specific promises made. 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 discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in public support and revenues. Conditional promises to give are not included as support until such time as the conditions are substantially met. Using historical data, management estimates the promises to give allowance each year for uncollectible promises to give. For the years ending June 30, 2013 and 2012 management has estimated the promises to give allowance to be \$303,759 and \$290,776, respectively.

Investments

The investments consist of available-for-sale securities invested in equity and fixed income securities as well as mutual funds. These securities are recognized at fair value on the statement of financial position, with realized and unrealized gains or losses on the statement of activities.

Property and Equipment, Net

The Organization capitalizes all property and equipment expenditures with a cost of \$250 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or for donated items, at fair value as of the date received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for 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. Property and equipment are depreciated using the straight-line method. The useful lives of the assets range from 3 to 10 years. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Designated Pledges

A designated pledge is a contribution to the Organization that is to be paid to a donor specified charity that is a non-member. This is an agency transaction that is recorded as a liability and is not included in public support and revenues.

The Organization's policy is for the community investment committee, which is made up of community volunteers, to set investment amounts per program with designated donor contributions being the first dollars in. Any supplemental amount is invested from the unrestricted pool.

Fair value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification estimates a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 and Level 2 were not available.

Advertising

The Organization expenses advertising costs as they are incurred. For the years ended June 30, 2014 and 2013, advertising expenses totaled \$690 and \$7,254, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) (2) of the Internal Revenue Code.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the years ended June 30, 2011, 2012 and 2013.

However the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended June 30, 2014 and 2013.

Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as unrestricted.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional expenses

Presentation of operating expenses includes production costs directly incurred for program activities and supporting expense activity classifications of management and general as well as fund-raising.

NOTE B – PROMISES TO GIVE, NET

Included in promises to give are the following unconditional promises to give as of June 30, 2014 and 2013:

	<u>2014</u>		<u>2013</u>
2012 Campaign:		2011 Campaign:	
Undesignated	\$ 38,026	Undesignated	\$ 770
Designated	4,585	Designated	-
2013 Campaign:		2012 Campaign:	
Undesignated	1,346,958	Undesignated	1,178,743
Designated	<u>81,872</u>	Designated	<u>142,126</u>
Total promises to give, net	<u>\$ 1,471,441</u>	Total promises to give, net	<u>\$ 1,321,639</u>

NOTE C – INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 2014 and 2013:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Value</u>	<u>Cost</u>	<u>Value</u>
Equity securities	\$ 352,297	\$ 439,598	\$ 323,242	\$ 366,395
Fixed Income securities	210,565	211,882	213,937	210,267
Mutual funds	<u>180,191</u>	<u>206,328</u>	<u>172,164</u>	<u>182,403</u>
Total	<u>\$ 743,053</u>	<u>\$ 857,808</u>	<u>\$ 709,343</u>	<u>\$ 759,065</u>

Unrealized gains during the years ended June 30, 2014 and 2013 totaled \$3,632 and \$3,957 respectively. At June 30, 2014 and 2013 the Board designated funds of these investments consisted of stocks with a cost of \$180,191 and \$172,164, respectively, and a fair value of \$206,328 and \$182,403, respectively, and have been designated by the Board of Directors to support the general purposes and objectives of the Organization and they are long-term investments. Cash invested with Raymond James Financial Services is shown in cash and equivalents.

Assets totaling \$30,228 were transferred as a board designation to the Community Foundation of Middle Tennessee, Inc. (the Foundation), a Tennessee not-for-profit corporation, exempt under Internal Revenue Code 501(c) (3) for its charitable, educational and public purposes. These funds were invested in an endowment fund named "United Way of Rutherford County Agency Endowment" (referred to as the "agency endowment"). The Foundation has the ultimate authority and control over all property of the fund, and the income derived therefrom, for use in furthering the charitable purposes of the Foundation.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE C – INVESTMENTS (CONTINUED)

Interpretation of relevant law in relation to the agency endowment

The Organization has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original board designation. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) The investment policies of the Organization

As of June 30, 2014 and 2013 the agency endowment funds included board restricted net assets and reported as “board designated for agency endowment”. As of June 30, 2014 and 2013 the Organization did not have any funds in the agency endowment fund received from donors. Therefore there are no permanently restricted net assets as of June 30, 2014 and 2013.

Return objectives and risk parameters of the agency endowment

The Organization operates with investment and spending policies for endowment assets that attempt to provide a steady stream of funding to programs supported by its endowment while maintaining its long-term value. Endowment assets include those of board-designated funds. The Foundation invests the assets in a manner that is intended to produce income while incurring a moderate level of investment risk. Each year, the Foundation sets a percentage draw from endowment funds that are intended to allow them to grow in value, while also supporting the general purposes and objectives of the Organization.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending practice and how the investment objections relate to spending practice

For many years, the Foundation has followed a practice of setting a draw from endowment funds appropriate for distribution in subsequent fiscal year as needed by the Organization to meet its needs in order to prudently preserve capital in a difficult economic environment. During both years ending June 30, 2014 and 2013 the Organization has received \$1,250. The Organization may request an amount up to 5.0% for the agency fund value for distribution to fund operations. in order to prudently preserve capital in a difficult economic environment.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE C – INVESTMENTS (CONTINUED)

In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 1 to 2 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for specified terms as well as to provide additional real growth through investment return.

The Organization's investment of the agency endowment is recorded at fair market value in the amount of \$62,371 and \$54,396 at June 30, 2014 and 2013, respectively. The agency endowment fund has been reported as a long-term investment on the statements of financial position.

Fair value measurements as of June 30, 2014 and 2013 are determined as follows:

Fair Value Measurements at June 30, 2014			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
			Totals
Equity securities	\$ 439,598	\$ -	\$ -
Fixed Income securities	211,882	-	-
Mutual funds	206,328	-	-
Agency endowment	-	-	62,371
Totals	<u>\$ 857,808</u>	<u>\$ -</u>	<u>\$ 62,371</u>

Fair Value Measurements at June 30, 2013			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
			Totals
Equity securities	\$ 366,395	\$ -	\$ -
Fixed Income securities	210,267	-	-
Mutual funds	182,403	-	-
Agency endowment	-	-	54,396
Totals	<u>\$ 759,065</u>	<u>\$ -</u>	<u>\$ 54,396</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE C – INVESTMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Organization's level 3 investments for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 54,396	\$ 48,361
Realized gains (losses)	4,795	2,474
Unrealized gains (losses) related to investments still held at the reporting date	3,631	3,958
Investment fees	(451)	(397)
Balance, end of year	<u>\$ 62,371</u>	<u>\$ 54,396</u>

NOTE D – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Computers and office equipment	\$ 53,227	\$ 51,571
Furniture, fixtures and equipment	21,065	21,065
Total	74,292	72,636
Accumulated depreciation	(65,097)	(60,105)
Property and equipment, net	<u>\$ 9,195</u>	<u>\$ 12,531</u>

Depreciation for the years ended June 30, 2013 and 2012 totaled \$4,992 and \$5,268, respectively.

NOTE E – RESTRICTIONS ON AND DESIGNATIONS OF NET ASSETS

Net assets released from restrictions during the year ended June 30, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
Campaign 2012 and 2011, respectively	<u>\$ 1,178,785</u>	<u>\$ 1,126,656</u>

Unrestricted net assets at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Board designated for operations	\$ 213,278	\$ 188,940
Board designated for agency endowment	62,371	54,396
Unrestricted, undesignated	33,182	(35,892)
Total unrestricted net assets	<u>\$ 308,831</u>	<u>\$ 207,444</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE E – RESTRICTIONS ON AND DESIGNATIONS OF NET ASSETS (CONTINUED)

Temporarily restricted net assets at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Campaign 2013 and 2012, respectively	<u>\$ 1,387,092</u>	<u>\$ 1,178,785</u>

NOTE F – FUNCTIONAL EXPENSES

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

For the years ended June 30, 2014 and 2013 the Organization incurred expenses amounting to \$2,526,513 and \$2,156,745, respectively, related to program services and \$322,087 and \$285,860, respectively, related to management and general and \$82,178 and \$101,664, respectively, related to fund-raising.

NOTE G – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash equivalents and promises to give. The Organization estimates that the fair value of all financial instruments at June 30, 2014 and 2013 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and equivalents and the current portion of promises to give reported in the statement of financial position approximate fair market values because of the short maturities of those instruments. The Organization does not have any long term promises to give requiring estimation by discounting of future cash flows using a risk-free rate of return.

NOTE H – SIMPLIFIED EMPLOYEE PENSION PLAN

The Organization adopted a simplified employee pension plan effective January 1, 1991 for the benefit of eligible employees. An employee is eligible for participation one year after their service entry date. Contributions to the plan are made at the discretion of the Board of Directors. For each of the years ended June 30, 2014 and 2013 the board approved a 3% matching retirement contribution.

For the years ended June 30, 2014 and 2013 retirement expense totaled \$8,710 and \$7,975, respectively, is included in the accompanying financial statements.

NOTE I – OPERATING LEASES

The Organization entered into a lease for office space for 12 months commencing on July 1, 2011 and terminating on June 30, 2012. The monthly rent due under this lease is \$2,550. The Organization is currently under a month-to-month lease beginning July 1, 2012 with a monthly lease payment of \$2,550. The Lessor and the Organization can terminate the lease with a 90 day notice to the other party. The rent may be increased at any time upon 90 days written notice to the Organization. If the Organization does not accept the increase in rent it may terminate the lease with a 90 day notice. Rent expense totaled \$30,600 for each of the years ended

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE I – OPERATING LEASES (CONTINUED)

June 30, 2014 and 2013 and was included in management and general, fundraising and program expenses in the accompanying financial statements.

The Organization leases two pieces of office equipment with operating agreements of varying lengths. For the years ended June 30, 2014 and 2013 rent expense totaled \$6,428 and \$5,462, and were included in management and general and program expenses in the accompanying financial statements.

The future minimum lease payments due are as follows:

June 30,	
2015	\$ 5,812
2016	5,272
2017	5,272
2018	3,954
Total	<u>\$ 20,310</u>

NOTE J – INTEREST AND DIVIDEND INCOME

Investment income is comprised of interest earned on funds held in money market accounts and certificates of deposit at financial institutions, dividends earned on the agency endowment and securities held in brokerage accounts. The income is reported as unrestricted revenue.

NOTE K – CONCENTRATIONS OF RISK

At June 30, 2014 and 2013 and at certain times during the years then ended, the balances on deposit at financial institutions exceeded the federally insured limit of \$250,000. The amounts exceeding the FDIC coverage at June 30, 2014 and 2013 totaled \$395,111 and \$725,428, respectively.

As of June 30, 2014 and 2013, the total amount of funds in a financial institution which is not federally insured totaled \$33,560 and \$26,105, respectively. The Organization manages this risk by maintaining all deposits in high quality institutions.

Approximately 87.4% of the Organization's public support and revenue for the year ended June 30, 2014 was from pledges promised or received in its Fall 2013 fundraising campaign. Approximately 93.0% of the Organization's support and revenue for the year ended June 30, 2013 was from pledges promised or received in its Fall 2012 fundraising campaign.

NOTE L – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through September 16, 2014, which is the date the financial statements were available to be issued. There have been no adjustments to the financial statements to include any subsequent transactions or events.

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SCHEDULES OF AMOUNTS GIVEN TO AGENCIES (CASH BASIS)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
American Red Cross - Heart of Tennessee	\$ 118,020	\$ 135,000
Big Brother Big Sisters	30,000	25,000
Boy Scouts of America, Middle Tennessee Council	30,000	37,000
Boys & Girls Clubs of Rutherford County	140,000	150,000
Cannon County 4-H Clubs	1,800	1,800
Cannon County SAVE	5,000	5,000
Cannon County Senior Citizens Center	30,500	25,000
Cannon County Youth Dreams	4,000	-
CASA of Rutherford County	30,000	30,000
Child Advocacy Center of Rutherford County	50,869	39,500
Community Food Partners - 2nd Harvest	23,000	23,000
Community Helpers of Rutherford County	222,000	227,000
Crisis Intervention Center	15,000	13,000
Discovery Center of Murfree Spring	22,000	29,000
Domestic Violence Program, Inc.	56,000	59,000
Elders First Adult Day Services	3,000	-
Exchange Club Family Center, Inc.	28,000	28,000
Girl Scouts Council of Cumberland Valley	30,000	32,000
Greenhouse Ministries	5,000	5,000
Holloway Harbor	4,500	4,500
Hospice of Murfreesboro - MTMC	29,539	39,134
Interfaith Dental Clinic	5,000	3,000
Journeys in Community Living (formerly RCAAC)	102,378	-
Kids on the Block: A Program of STARS Nashville	15,000	15,000
Legal Aid Society of Middle Tennessee	16,000	16,000
MCHRA - Homemaker Program	50,000	47,000
MCHRA - Long-term Care Ombudsman Program	3,000	3,000
MCHRA - Meals on Wheels & Senior Dining	45,000	45,000
MCHRA - Youth-CAN-Career Action Network	40,000	29,000
MCS Indigent Children's Fund	-	15,000
MCS - Franklin Heights Tutoring and Homework Help	22,500	-
Nurses for Newborns Foundation	13,000	13,000
Project Help - Middle Tennessee State University	100,000	106,000
Read To Succeed	4,000	3,000
Rutherford-Cannon County Drug Court	-	3,450
Rutherford Co. Adult Activity Center	-	110,000
Rutherford Co. Books from Birth	3,000	3,000
Rutherford Co. Emergency Food Bank	59,000	59,000
Rutherford Co. Primary Care & Hope Clinic	60,000	50,000
Rutherford Co. Schools' Charity Fund	20,000	27,000
Sexual Assault Services of Domestic Violence Program	11,500	8,500
Smyrna-Lavergne Food Bank	73,545	81,000
St. Clair Street Senior Center	36,000	39,366
STARS Nashville	35,000	25,000
Tennessee Poison Center	12,000	10,000
The Guidance Center	50,000	51,000
The Journey Home	3,000	-
The Salvation Army	90,500	45,000
Vanderbilt Bill Wilkerson Center	3,700	4,750
Wee Care Day Care Center	30,000	30,000
West Main Mission	52,897	55,000
Woodbury United Methodist Church	5,000	-
Total	<u>\$ 1,839,248</u>	<u>\$ 1,805,000</u>

See accompanying notes to financial statements and independent auditors' report