UNITED WAY OF
MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
United Way of Middle Tennessee, Inc.
d/b/a United Way of Metropolitan Nashville

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the United Way of Middle Tennessee, Inc. (the "Organization"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of December 31, 2013 and 2012, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 Organization'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 Organization'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.

KraftCPAs PLLC - Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • Phone 615-242-7351 • Fax 615-782-4271 • www.kraftcpas.com

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 the United Way of Middle Tennessee, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2014 on our consideration of United Way of Middle Tennessee, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Middle Tennessee, Inc.'s internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
August 20, 2014

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 2,975,818	$ 2,907,793
Pledges receivable, net	9,528,515	9,318,439
Grants receivable	1,370,070	981,611
Other receivable	44,417	93,700
Prepaid and other	89,915	45,273
Investments, at fair value	13,077,824	11,346,239
Property and equipment, net	446,171	466,894
Net pension assets	473,168	569,101
Cash surrender value of donor life insurance policies	1,141,430	1,094,160
TOTAL ASSETS	$ 29,147,328	$ 26,823,210
LIABILITIES		
Designations payable	$ 3,365,336	$ 3,503,799
Allocations payable	3,406,602	3,482,367
Grant payments due to subrecipients	1,041,624	888,015
Accounts payable and accrued expenses	616,199	636,634
TOTAL LIABILITIES	8,429,761	8,510,815
NET ASSETS		
Unrestricted	1,674,910	1,646,613
Temporarily restricted	11,442,052	9,065,177
Permanently restricted	7,600,605	7,600,605
TOTAL NET ASSETS	20,717,567	18,312,395
TOTAL LIABILITIES AND NET ASSETS	$ 29,147,328	$ 26,823,210

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - prior year	$ 1,467,433	$ -	$ -	$ 1,467,433
Gross campaign results - released from restrictions	12,848,556	(12,848,556)	-	-
Total campaign results - prior year	14,315,989	(12,848,556)	-	1,467,433
Less donor designations	(4,113,312)	3,719,975	-	(393,337)
Less provision for uncollectible accounts	(474,339)	589,507	-	115,168
Net campaign revenue - prior year	9,728,338	(8,539,074)	-	1,189,264
Gross campaign results - current year	-	13,554,135	-	13,554,135
Less donor designations	-	(3,637,083)	-	(3,637,083)
Less provision for uncollectible accounts	-	(639,290)	-	(639,290)
Net campaign revenue - current year	-	9,277,762	-	9,277,762
Grants	5,008,379	684,332	-	5,692,711
Other contributions and in-kind	1,300,726	-	-	1,300,726
Designations from other United Way organizations	242,614	-	-	242,614
Service fees	361,442	-	-	361,442
Endowment spending rate	545,000	-	-	545,000
Miscellaneous income	81,857	-	-	81,857
Non-endowment investment income	673,274	34,728	-	708,002
Other net assets released from restrictions	61,979	(61,979)	-	-
TOTAL SUPPORT AND REVENUE	18,003,609	1,395,769	-	19,399,378
PROGRAM SERVICES				
Program investments and designations to direct service providers	11,659,995	-	-	11,659,995
Less: donor designations	(4,113,312)	-	-	(4,113,312)
Net program investments	7,546,683	-	-	7,546,683
Community building	1,221,015	-	-	1,221,015
Grants and initiatives	5,652,825	-	-	5,652,825
TOTAL PROGRAM SERVICES	14,420,523	-	-	14,420,523
SUPPORTING SERVICES				
Management and general	1,442,658	-	-	1,442,658
Fundraising and marketing	2,045,202	-	-	2,045,202
TOTAL SUPPORTING SERVICES	3,487,860	-	-	3,487,860
TOTAL COSTS AND EXPENSES	17,908,383	-	-	17,908,383
Change in net assets before non-operating items	95,226	1,395,769	-	1,490,995
Endowment gain, exclusive of spending rate	-	981,106	-	981,106
Employee retirement plan loss	(66,929)	-	-	(66,929)
CHANGE IN NET ASSETS	28,297	2,376,875	-	2,405,172
NET ASSETS - BEGINNING OF YEAR	1,646,613	9,065,177	7,600,605	18,312,395
NET ASSETS - END OF YEAR	$ 1,674,910	$ 11,442,052	$ 7,600,605	$ 20,717,567

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - prior year	$ 3,237,317	$ -	$ -	$ 3,237,317
Gross campaign results - released from restrictions	10,687,277	(10,687,277)	-	-
Total campaign results - prior year	13,924,594	(10,687,277)	-	3,237,317
Less donor designations	(3,764,313)	2,640,928	-	(1,123,385)
Less provision for uncollectible accounts	(371,432)	508,490	-	137,058
Net campaign revenue - prior year	9,788,849	(7,537,859)	-	2,250,990
Gross campaign results - current year	-	12,826,908	-	12,826,908
Less donor designations	-	(3,719,975)	-	(3,719,975)
Less provision for uncollectible accounts	-	(589,507)	-	(589,507)
Net campaign revenue - current year	-	8,517,426	-	8,517,426
Grants	6,422,993	70,296	-	6,493,289
Other contributions and in-kind	315,759	-	-	315,759
Designations from other United Way organizations	245,101	-	-	245,101
Service fees	438,306	-	-	438,306
Endowment spending rate	525,000	-	-	525,000
Miscellaneous income	72,582	-	-	72,582
Non-endowment investment income	54,955	18,097	-	73,052
Other net assets released from restrictions	82,921	(82,921)	-	-
TOTAL SUPPORT AND REVENUE	17,946,466	985,039	-	18,931,505
PROGRAM SERVICES				
Program investments and designations to direct service providers	11,265,007	-	-	11,265,007
Less: donor designations	(3,764,313)	-	-	(3,764,313)
Net program investments	7,500,694	-	-	7,500,694
Community building	1,088,420	-	-	1,088,420
Grants and initiatives	5,971,521	-	-	5,971,521
TOTAL PROGRAM SERVICES	14,560,635	-	-	14,560,635
SUPPORTING SERVICES				
Management and general	1,426,023	-	-	1,426,023
Fundraising and marketing	2,236,958	-	-	2,236,958
TOTAL SUPPORTING SERVICES	3,662,981	-	-	3,662,981
TOTAL COSTS AND EXPENSES	18,223,616	-	-	18,223,616
Change in net assets before non-operating items	(277,150)	985,039	-	707,889
Endowment gain, exclusive of spending rate	-	676,823	-	676,823
Endowment gains appropriated for strategic operating reserves	3,200,000	(3,200,000)	-	-
Employee retirement plan loss	(737,162)	-	-	(737,162)
CHANGE IN NET ASSETS	2,185,688	(1,538,138)	-	647,550
NET ASSETS - BEGINNING OF YEAR	(539,075)	10,603,315	7,600,605	17,664,845
NET ASSETS - END OF YEAR	$ 1,646,613	$ 9,065,177	$ 7,600,605	$ 18,312,395

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	$ 688,490	$ 527,005	$ 1,215,495
Payroll taxes	47,218	39,613	86,831
Employee benefits	73,710	53,888	127,598
Total personnel costs	809,418	620,506	1,429,924
Professional and contract fees	108,060	97,892	205,952
Supplies	5,456	33,454	38,910
Telephone	12,393	15,165	27,558
Postage and shipping	5,709	2,742	8,451
Occupancy	41,213	32,856	74,069
Maintenance and equipment rental	47,350	11,569	58,919
Printing and promotional	45,398	154,851	200,249
Travel	19,921	7,441	27,362
Events and meetings	39,343	7,556	46,899
Dues to United Way of America and others	56,471	375	56,846
Miscellaneous	11,312	1,035	12,347
Total other operating expenses	392,626	364,936	757,562
Depreciation of property and equipment	18,971	10,469	29,440
Total operating expenses	1,221,015	995,911	2,216,926
Program grants to direct service providers	-	4,656,914	4,656,914
	$ 1,221,015	$ 5,652,825	6,873,840
Net program investments (shown separately on the statement of activities)			7,546,683
			$ 14,420,523

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising and Marketing	Total Supporting Services	Total
$ 740,057	$ 1,087,291	$ 1,827,348	$ 3,042,843
45,008	74,036	119,044	205,875
94,413	111,736	206,149	333,747
879,478	1,273,063	2,152,541	3,582,465
275,546	214,287	489,833	695,785
6,246	5,966	12,212	51,122
23,469	29,053	52,522	80,080
6,407	15,451	21,858	30,309
38,032	41,255	79,287	153,356
30,108	66,964	97,072	155,991
11,853	194,266	206,119	406,368
29,423	31,762	61,185	88,547
24,966	57,910	82,876	129,775
47,229	82,554	129,783	186,629
46,331	13,471	59,802	72,149
539,610	752,939	1,292,549	2,050,111
23,570	19,200	42,770	72,210
1,442,658	2,045,202	3,487,860	5,704,786
-	-	-	4,656,914
$ 1,442,658	$ 2,045,202	$ 3,487,860	10,361,700
			7,546,683
			$ 17,908,383

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	$ 696,961	$ 261,551	$ 958,512
Payroll taxes	51,015	15,901	66,916
Employee benefits	68,533	27,570	96,103
Total personnel costs	816,509	305,022	1,121,531
Professional and contract fees	35,227	77,550	112,777
Supplies	2,786	9,673	12,459
Telephone	5,945	3,530	9,475
Postage and shipping	3,938	2,559	6,497
Occupancy	31,484	16,227	47,711
Maintenance and equipment rental	45,276	7,956	53,232
Printing and promotional	40,208	33,918	74,126
Travel	11,483	9,041	20,524
Events and meetings	26,335	6,303	32,638
Dues to United Way of America and others	54,308	-	54,308
Miscellaneous	1,541	-	1,541
Total other operating expenses	258,531	166,757	425,288
Depreciation of property and equipment	13,380	5,860	19,240
Total operating expenses	1,088,420	477,639	1,566,059
Program grants to direct service providers	-	5,493,882	5,493,882
	$ 1,088,420	$ 5,971,521	7,059,941
Net program investments (shown separately on the statement of activities)			7,500,694
			$ 14,560,635

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising and Marketing	Total Supporting Services	Total
$ 750,735	$ 994,138	$ 1,744,873	$ 2,703,385
45,360	69,414	114,774	181,690
101,382	106,856	208,238	304,341
897,477	1,170,408	2,067,885	3,189,416
245,242	229,033	474,275	587,052
9,604	6,183	15,787	28,246
11,153	14,005	25,158	34,633
8,680	10,673	19,353	25,850
54,778	49,656	104,434	152,145
53,498	71,551	125,049	178,281
9,136	423,433	432,569	506,695
24,937	32,045	56,982	77,506
14,762	117,682	132,444	165,082
40,921	81,508	122,429	176,737
32,417	7,694	40,111	41,652
505,128	1,043,463	1,548,591	1,973,879
23,418	23,087	46,505	65,745
1,426,023	2,236,958	3,662,981	5,229,040
-	-	-	5,493,882
$ 1,426,023	$ 2,236,958	$ 3,662,981	10,722,922
			7,500,694
			$ 18,223,616

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ 2,405,172	$ 647,550
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	72,210	65,745
Realized gain on sale of investments	(599,298)	(602,841)
Unrealized gain on investments	(1,449,073)	(440,591)
(Increase) decrease in assets:		
Pledges receivable	(210,076)	(1,564,222)
Grants receivable	(388,459)	(38,882)
Prepaid expenses and other receivable	4,641	(39,817)
Net pension assets	95,933	667,197
Cash surrender value of donor life insurance policies	(47,270)	(51,717)
Increase (decrease) in liabilities:		
Designations, allocations and grant payments due to subrecipients	(60,619)	458,762
Accounts payable and accrued expenses	(20,435)	(88,047)
TOTAL ADJUSTMENTS	(2,602,446)	(1,634,413)
NET CASH USED IN OPERATING ACTIVITIES	(197,274)	(986,863)
INVESTING ACTIVITIES		
Purchase of investments	(6,002,350)	(4,945,361)
Proceeds from sale of investments	6,319,136	5,175,300
Proceeds from donor life insurance policy	-	63,618
Purchase of property and equipment	(51,487)	(65,219)
NET CASH PROVIDED BY INVESTING ACTIVITIES	265,299	228,338
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	68,025	(758,525)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,907,793	3,666,318
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,975,818	$ 2,907,793

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

United Way of Middle Tennessee, Inc. (d/b/a United Way of Metropolitan Nashville in Davidson County and United Way of Cheatham County in Cheatham County) (collectively the "Organization" or "United Way") is an exempt publicly supported organization that brings people and organizations together to create solutions for the community's most complex issues in the areas of education, financial stability and health. The Organization is governed by a volunteer Board of Trustees composed of a cross section of community and business leaders.

The Organization, whose antecedents date back to the Community Chest of Nashville formed in 1922, was incorporated as The United Givers Fund of Nashville and Davidson County on May 21, 1954.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Pledges Receivable, Grants, Campaign Expenses, and Program Investments

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

Campaigns are conducted annually to raise support for program investments in the subsequent year. Pledges receivable are recognized in the period received, with an allowance provided for estimated uncollectible accounts. The allowance for uncollectible accounts is computed based on a three-year historical average write-off percentage, adjusted by management estimates of current economic factors, applied to gross campaign including donor designations.

Campaign support pledged is recognized as an increase in temporarily restricted net assets until the year of investment. All contributions are considered available for use as approved by the Board of Trustees unless specifically restricted or designated by the donor. Campaign pledges designated by donors to specific agencies or other United Way organizations are considered to be agency-type transactions and are recorded as pledges receivable and designations payable on the statement of financial position and not included in net revenues or expenses of the Organization. Campaign expenses for annual campaigns are recognized in the period incurred. The Organization honors designations made by donors to each organization by distributing a proportionate share of receipts based on donor designations to each organization.

Program investments in partner agencies are recognized as program service expenses in the period approved by the Board of Trustees, and correspond to the period of the release of time restrictions for related campaign pledges.

Grant revenue from federal and state government agencies is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Federal and state grant funds paid to subrecipient agencies are recognized as grant expenses in the period a liability is incurred for eligible expenditures by the subrecipient.

Expenditures related to federal and state contracts are subject to adjustment upon review by the granting agencies. It is management’s assessment that the amounts, if any, of expenditures which may be disallowed would not have a material effect on the Organization’s financial position.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with banks with maturities of three months or less.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of money market, equity securities, fixed income mutual funds and a commodity fund and are carried at the quoted fair market value on the last business day of the reporting period. The changes in unrealized gains and losses are recognized currently in the statement of activities.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at date of gift to the Organization. The United Way's policy is to capitalize purchases with a cost of $500 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which is thirty years for buildings and range from three to ten years for building improvements, furniture and equipment.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services:

Program Investments and Designations to Direct Service Providers - includes activities funded by the annual campaign for outcome-based investments in agency programs, coordination and administration of Family Resource Centers, support of the 2-1-1 community information line, program investments in the Read to Succeed initiative, Imagination Library, and other program investments.

Donor Designations - represents the gross amount of campaign funding designated by the donor to an eligible 501(c)3 agency.

Net Program Investments - includes the net amounts provided to agencies and program investments from unrestricted campaign funds.

Community Building - includes activities funded by the annual campaign related to planning, oversight, administration of outcome-based investments, and support for community initiatives.

Grants and Initiatives - includes activities that deliver services funded by sources other than the annual campaign, such as the Ryan White/Community AIDS Partnership, Read to Succeed, 2-1-1, the Nashville Alliance for Financial Independence, Restore the Dream and Disaster Relief.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event 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, human resources, finance, information technology, and other administrative activities.

Fundraising and Marketing - includes costs of activities directed toward appeals for financial support. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

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.

Fair Value Measurements

The Organization classifies its investments based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments - Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for investments in U.S. Treasury securities, debt obligations and mortgage-backed securities are based primarily on other observable values, such as interest rates and yield curves.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

No changes in the valuation methodologies have been made since the prior year.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Service Fees

Service fees are amounts charged by the Organization for raising, processing and transferring donor-designated gifts to agencies and other United Way organizations. Donor-designated pledges are assessed both a fundraising and a management and general fee based on actual historical costs in accordance with United Way Worldwide's Membership Requirements as outlined in its publication titled *Cost Deduction Requirements for Membership Requirement M.* The Organization is committed to complying with that requirement in assessing these service fees. Amounts designated by donors are presented at the gross amount in the statement of activities prior to such charges.

Printing and Promotional

Advertising costs are expensed as incurred. Advertising expense in the amount of $406,368 was incurred for the year ended December 31, 2013 ($506,695 for the year ended December 31, 2012).

Donated Services and In-Kind Contributions

A large number of volunteers donate substantial amounts of time toward the annual campaign and the various community activities; however, no values for in-kind amounts have been included in the financial statements. Donated property and other in-kind contributions are recognized in the financial statements at fair value when received.

Endowment Income Distribution Policy

The Organization's policy is to distribute a portion of the endowment income to support current operational needs. This policy is designed to insulate operational programs from capital market fluctuations. Under this policy, endowment income distributions are based on an amount approved in advance by the Board. Actual endowment return earned in excess of or less than the spending rate is reported separately in the statement of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization 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.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax. The Organization's returns for years prior to fiscal year 2010 are no longer open to examination.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there were no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2013 and August 20, 2014, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, various grants, pledges receivable and investments. The Organization maintains cash accounts at financial institutions, investment companies and trusts whose accounts are insured by the Federal Deposit Insurance Corporation. Pledges receivable consist of corporate and individual pledges for the annual campaign, which are widely dispersed to mitigate credit risk. Grant receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Securities held in a broker/dealer account are insured by the Securities Investor Protection Corporation (SIPC), up to $500,000 per broker/dealer, in certain circumstances such as fraud or failure of the institution. Accounts held by one broker/dealer, which exceed SIPC limits, are covered by an additional $1.9 million of insurance through Lloyd’s of London. Accounts held by a trust are covered by error and omissions insurance up to the full amount invested. The SIPC and additional insurance protection do not insure against market risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31:

	2013			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments:				
Short-term investments	$ 53,152	$ -	$ -	$ 53,152
Equity securities:				
Large Cap funds	6,943,196	-	-	6,943,196
Mid Cap funds	722,509	-	-	722,509
Small Cap funds	688,249	-	-	688,249
International funds	1,694,089	-	-	1,694,089
Fixed income mutual funds	2,976,629	-	-	2,976,629
Total Investments	13,077,824	-	-	13,077,824
Pension Plan:				
Money market funds	4,215,102	-	-	4,215,102
Total Assets at Fair Value	$ 17,292,926	$ -	$ -	$ 17,292,926

	2012			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments:				
Short-term investments	$ 209,349	$ -	$ -	$ 209,349
Equity securities:				
Large Cap funds	4,873,858	-	-	4,873,858
Mid Cap funds	508,077	-	-	508,077
Small Cap funds	482,246	-	-	482,246
International funds	1,314,879	-	-	1,314,879
Fixed income mutual funds	3,678,467	-	-	3,678,467
Commodity fund	279,363	-	-	279,363
Total Investments	11,346,239	-	-	11,346,239
Pension Plan:				
Money market funds	4,554,135	-	-	4,554,135
Total Assets at Fair Value	$ 15,900,374	$ -	$ -	$ 15,900,374

The reported fair value amounts above have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair values after the statement of financial position dates may differ significantly from the amounts presented herein.

NOTE 4 - INVESTMENTS

The fair values and related costs of investments are summarized as follows at December 31:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$ 53,152	$ 53,152	$ 209,349	$ 209,349
Equity securities	10,048,043	7,608,811	7,179,060	6,304,706
Fixed income mutual funds	2,976,629	2,946,155	3,678,467	3,491,004
Commodity fund	-	-	279,363	321,910
	$13,077,824	$10,608,118	$11,346,239	$10,326,969

Return on investments was as follows for the years ended December 31:

	2013	2012
Return on investments:		
Interest and dividend income	$ 233,225	$ 275,855
Investment fees	(47,488)	(44,412)
Gain on investments:		
Realized gain on sale of investments	599,298	602,841
Increase in accumulated unrealized gain on investments	1,449,073	440,591
Total return on investments	$ 2,234,108	$ 1,274,875

Return (loss) on investments is reported in the statements of activities as follows for the years ended December 31:

	2013	2012
Non-endowment investment income	$ 708,002	$ 73,052
Endowment spending rate	545,000	525,000
Endowment gain, exclusive of spending rate	981,106	676,823
Total return on investments	$ 2,234,108	$ 1,274,875

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	2013	2012
Current year campaign	$ 9,385,667	$ 9,196,317
Prior years' campaigns	2,305,553	2,159,984
	11,691,220	11,356,301
Less allowance for uncollectible pledges:		
Current year campaign	825,121	791,478
Prior years' campaigns	1,337,584	1,246,384
	2,162,705	2,037,862
Total pledges receivable	$ 9,528,515	$ 9,318,439

The results of the current and future year campaigns, net of the related allowance for uncollectible pledges, less designations payable, have been included in temporarily restricted net assets on the accompanying statements of financial position, as such contributions are restricted for allocations of the future periods.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2013	2012
Land	$ 272,715	$ 272,715
Building and improvements	1,613,081	1,597,419
Furniture and equipment	1,249,139	1,315,511
	3,134,935	3,185,645
Less accumulated depreciation	2,688,764	2,718,751
Total property and equipment, net	$ 446,171	$ 466,894

NOTE 7 - EMPLOYEE RETIREMENT PLANS

The Organization sponsors a Section 403(b) retirement plan. The plan requires the Organization to match 50% of an employee's deferral amount up to a maximum of 3% of each eligible employee's annual compensation. Employees are eligible to participate in the plan starting the first day of the month following employment. Participants' employer match accounts become vested incrementally over three years of service. Effective January 1, 2012, the Organization amended this plan to also allow for discretionary contributions. Total employer contributions to this plan were $94,984 in 2013 ($52,577 in 2012).

The Organization had a defined benefit pension plan ("Plan") covering substantially all salaried employees who had completed one year of service and were at least 21 years of age. During 2011, the Plan adopted an amendment that froze the Plan effective December 31, 2011, thus no additional benefits will accrue under the Plan. No employee is eligible to become a participant in the Plan on or after December 31, 2011 and all participants in the Plan became fully vested as of December 31, 2011.

The following tables present the plan's funded status and the components of net periodic pension cost as of and for the years ended December 31:

Obligations and Funded Status	2013	2012
Benefit obligation	$ (3,741,934)	$ (3,985,034)
Fair value of plan assets	4,215,102	4,554,135
Net pension assets	$ 473,168	$ 569,101
Accumulated benefit obligation	$ (3,741,934)	$ (3,985,034)
Employer contributions	$ -	$ -
Annuities purchased or benefits paid (including expense charges)	$ 387,142	$ 91,246

The entire balance of net pension assets is included in total assets on the statement of financial position.

NOTE 7 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Amounts recognized in the statement of activities consisted of the following for the years ended December 31:

	2013	2012
Net unrealized gain (loss) and amount previously not recognized in unrestricted net assets and in periodic pension cost	$ (66,929)	$ (737,162)

Other Changes in Plan Assets and Benefit Obligations Recognized in Changes in Unrestricted Net Assets	2013	2012
Service cost	$ (10,125)	$ (9,625)
Interest cost	(149,629)	(146,693)
Expected return on plan assets	227,454	226,283
Losses recognized (actuarial)	(15,688)	-
Losses recognized due to settlement	(81,016)	-
Total recognized in net periodic pension cost and unrestricted net assets	$ (29,004)	$ 69,965

The following weighted average assumptions were used in accounting for the plan as of December 31:

	2013	2012
Discount rate	4.00%	3.75%
Expected return on plan assets	5.00%	5.00%
Rate of compensation increase	0.00%	0.00%

NOTE 7 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

The expected long-term rate of return on plan assets assumption of 5% (5% as of December 31, 2012) was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - *Selection of Economic Assumptions for Measuring Pension Obligations*. Based on the Organization's investment policy for the pension plan in effect as of the beginning of each year, a best-estimate range was determined for both the real rate of return (net of inflation) and for inflation using 30-year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best-estimate range of 4.74% - 5.72% for 2013 (4.74% - 5.72% for 2012). A rate near the midpoint of the best estimate range of 5% was selected at December 31, 2013 (5% at December 31, 2012).

Historically, the Organization's defined benefit pension plan investment policy had a target allocation percentage of 60% equity and 40% fixed income, however as of December 31, 2011, the effective date of the Plan curtailment, all of the Plan's assets were liquidated to money market funds.

NOTE 8 - ENDOWMENT FUNDS

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Financial accounting standards also require additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

Interpretation of applicable law - The Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization's permanently restricted endowment funds are based on signed donor agreements which outline the spending policies described below. In the absence of such donor restrictions, the Organization would follow UPMIFA and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA). In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of the investments
- The investment policies of the Organization

Spending policy - The Organization has a policy of appropriating for distribution each year up to 5% of the three-year moving average of the quarterly endowment market values.

In 2012, the Organization's Board of Trustees appropriated $3.2 million of the net appreciation on the endowment fund to function as a Board-designated strategic operating reserves fund.

In addition, during 2012, the Organization's Board of Trustees established a Board-designated Quasi-endowment fund with the proceeds from a donor life insurance policy.

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

Investment return objective, risk parameters and strategies - The Organization has adopted investment and spending policies, approved by the Board of Trustees, to establish asset allocation targets, investment objectives and guidelines and the degree of investment risk the Trustees deems acceptable. The goal of the endowment is to exist in perpetuity, and therefore, provide for fund making in perpetuity. To attain this goal, the overriding objective of the endowment is to maintain purchasing power and, net of spending, to grow the aggregate portfolio value at the rate of inflation or greater over the endowments investment horizon. Specific performance standards have been formulated for the endowment. Underlying these standards is the belief that the management of the endowment should be directed toward achieving the following investment objectives:

- The endowment taken as a whole should achieve a minimum five-year return (income, realized capital gains and losses and unrealized capital gains and losses) equal to or higher than the five-year average of the three-month Treasury bill rate plus 300 basis points.
- The total endowment should outperform a weighted index (70/30 percent) of the Standard & Poor's 500 and Barclays Index over a five-year average.
- The return of the endowment manager(s) should fall at least in the top half of the second quartile of a universe of similarly weighted indices for one, three, and five-year returns. The universes are selected jointly by the Investment Managers and the Finance Committee.

Asset allocations are targeted at 72.5% equities, 25% fixed income and 2.5% alternative investments. Limits are in place as to the amount of stock that is invested in a single company to reduce the potential impact of losses on individual investments. Investment allocations are spread between cash equivalents, fixed income portfolios, equities, and commodities.

A schedule of endowment net asset composition by type of fund as of December 31 follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-Designated endowment	$ 125,014	$ -	$ -	$ 125,014
Donor-Designated endowment funds	$ -	$ 1,240,006	$ 7,600,605	$ 8,840,611

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-Designated endowment	$ 64,173	$ -	$ -	$ 64,173
Donor-Designated endowment funds	$ -	$ 258,900	$ 7,600,605	$ 7,859,505

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

A schedule of changes in endowment net assets follows for the years ended December 31:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	$ 64,173	$ 258,900	$ 7,600,605	$ 7,923,678
Contributions	43,162	-	-	43,162
Investment income	1,883	156,736	-	158,619
Investment fees	(377)	(32,610)	-	(32,987)
Net appreciation (realized and unrealized)	16,173	1,401,980	-	1,418,153
Amounts appropriated for expenditure	-	(545,000)	-	(545,000)
Endowment net assets, December 31, 2013	$ 125,014	$ 1,240,006	$ 7,600,605	$ 8,965,625

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2012	$ -	$ 2,782,077	$ 7,600,605	$10,382,682
Proceeds from donor life insurance policy	63,618	-	-	63,618
Investment income	536	245,534	-	246,070
Investment fees	(23)	(42,277)	-	(42,300)
Net appreciation (realized and unrealized)	42	998,566	-	998,608
Amounts appropriated for expenditure	-	(525,000)	-	(525,000)
One-time board appropriation for strategic operating reserves	-	(3,200,000)	-	(3,200,000)
Endowment net assets, December 31, 2012	$ 64,173	$ 258,900	$ 7,600,605	$ 7,923,678

NOTE 9 - NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2013	2012
Contributions to support the Restore the Dream fund	$ 203,069	$ 168,340
Contributions to support the 2-1-1 program	45,000	45,296
Contributions to support the National Alliance for Financial Independence	32,500	25,000
Contributions to support the Read to Succeed program	20,000	-
Contributions to support the Financial Empowerment Centers	586,832	-
Contributions to support allocations and operations of future periods	9,195,948	8,533,581
Imagination library	105,001	-
Deferred revenue for future campaigns, net of designations	13,696	34,060
Net unappropriated gains on permanently restricted endowment since inception	1,240,006	258,900
Total temporarily restricted net assets	$ 11,442,052	$ 9,065,177

Permanently restricted net assets at December 31, 2013 and 2012 consist entirely of endowment funds. Income from such endowment funds is temporarily restricted until the funds have been appropriated for expenditure.

NOTE 10 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS AND OTHER

Net assets were released from donor restrictions and other by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended December 31:

	2013	2012
Program services (primarily restricted grants and contributions)	$ 61,979	$ 82,921
Passage of time (previous year's campaign pledges to support current year operations)	8,539,074	7,537,859
One-time board appropriation for Board-designated strategic operating reserves	-	3,200,000
Total net assets released from restrictions	$ 8,601,053	$ 10,820,780

NOTE 11 - OPERATING LEASES

The Organization is obligated on six noncancelable operating leases for various office equipment that expire at various dates through December 2016. Total rental expense in the amount of $53,121 was incurred for the year ended December 31, 2013 ($52,814 for the year ended December 31, 2012).

Future minimum lease payments required under all noncancelable leases as of December 31, 2013 are:

Year Ending December 31,		
2014	$	52,763
2015		52,763
2016		27,365
	$	132,891

NOTE 12 - SUPPORTING SERVICES

Supporting services costs include management and general, fundraising and marketing, and dues to United Way Worldwide. Those costs are presented in detail in the statement of functional expenses.

United Way Worldwide has adopted a standard methodology for preparing the IRS Form 990 and utilizing it as the basis for calculating the "overhead rate." The overhead rate is calculated as the percentage of total supporting services costs to total revenues. The principal difference between total revenues reported per the financial statements and the Form 990 is the inclusion of donor designations. Form 990 allows for reporting the total campaign results as revenue. The table below details the overhead rate calculation and also reconciles revenue per Form 990 to the financial statements:

2013	Statement of Activities
Total support and revenue	$ 19,399,378
Plus: Donor designations, adjusted for allowance and service fees	2,753,195
Adjusted total revenue per Form 990	$ 22,152,573
Total supporting services costs	$ 3,487,860
Percent of adjusted total revenue	15.7%

ADDITIONAL INFORMATION

UNITED WAY OF MIDDLE TENNESSEE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	GRANT PERIOD	(ACCRUED) DEFERRED REVENUE 1/1/2013	1/1/13 - 12/31/13 RECEIPTS	1/1/13 - 12/31/13 EXPENDITURES	(ACCRUED) DEFERRED REVENUE 12/31/2013
U.S. Department of Agriculture							
Passed Through Tennessee Department of Human Services:							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	GR-10-29612	10/01/12-09/30/13	$ (11,825)	$ 11,825	$ -	$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	GR-10-29612	10/01/13-09/30/14	-	138,692	148,366	(9,674)
Total CFDA 10.651				(11,825)	150,517	148,366	(9,674)
U.S. Department of Treasury							
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	N/A	07/01/12-06/30/13	(120)	140,000	139,880	-
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	N/A	07/01/13-06/30/14	-	-	16,183	(16,183)
Total CFDA 21.009				(120)	140,000	156,063	(16,183)
U.S Department of Health and Human Services							
Passed Through Tennessee Department of Health:							
Preventive Health and Health Services Block Grant	93.991	GR-13-35300	11/15/12-06/30/13	-	20,000	20,000	-
Total CFDA 93.991				-	20,000	20,000	-
HIV Care Formula Grants	93.917	GR-12-38339-00	04/1/12-03/31/13	(102,553)	230,254	127,701	-
HIV Care Formula Grants	93.917	GR-13-38339-00	04/1/13-03/31/14	-	327,675	484,774	(157,099)
Total CFDA 93.917				(102,553)	557,929	612,475	(157,099)
HIV Prevention Activities-Health Department Based HIV Prevention Grant	93.940	GR-12-37717-00	01/1/12-12/31/12	(91,136)	91,136	-	-
HIV Prevention Activities-Health Department Based HIV Prevention Grant	93.940	GR-13-34333-00	01/1/13-12/31/13	-	300,119	432,146	(132,027)
Total CFDA 93.940				(91,136)	391,255	432,146	(132,027)

(continued on next page)

UNITED WAY OF MIDDLE TENNESSEE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

	FEDERAL CFDA NUMBER		GRANTOR'S NUMBER	GRANT PERIOD	(ACCRUED) DEFERRED REVENUE 1/1/2013	1/1/13 - 12/31/13 RECEIPTS	1/1/13 - 12/31/13 EXPENDITURES	(ACCRUED) DEFERRED REVENUE 12/31/2013
U.S Department of Health and Human Services (continued)								
Passed Through Metropolitan Government of Nashville and Davidson County Public Health Department								
HIV Emergency Relief Project Grants	93.914	*	38351138	03/01/12-02/28/13	$ (613,837)	$ 1,370,368	$ 756,531	$ -
HIV Emergency Relief Project Grants	93.914	*	38351138	03/01/13-02/28/14	-	2,015,496	2,543,541	(528,045)
HIV Emergency Relief Project Grants	93.914	*	38351038	03/01/12-02/28/13	(45,338)	103,225	57,887	-
HIV Emergency Relief Project Grants	93.914	*	38351038	03/01/13-02/28/14	-	98,777	165,510	(66,733)
Total CFDA 93.914					(659,175)	3,587,866	3,523,469	(594,778)
TOTAL EXPENDITURES OF FEDERAL AWARDS					$ (864,809)	$ 4,847,567	$ 4,892,519	$ (909,761)

* Considered a major program under OMB Circular A-133.

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the grant activity of the United Way of Middle Tennessee, Inc. and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. This schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
United Way of Middle Tennessee, Inc.
d/b/a United Way of Metropolitan Nashville

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Middle Tennessee, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KraftCPAs PLLC - Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • Phone 615-242-7351 • Fax 615-782-4271 • www.kraftcpas.com

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether United Way of Middle Tennessee Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KraftCPAs PLLC

Nashville, Tennessee
August 20, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Trustees
United Way of Middle Tennessee, Inc.
d/b/a United Way of Metropolitan Nashville

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited United Way of Middle Tennessee, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, United Way of Middle Tennessee, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KraftCPAs PLLC

Nashville, Tennessee
August 20, 2014

UNITED WAY OF MIDDLE TENNESSEE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	________ yes	___x___ no
• Significant deficiency(ies) identified?	________ yes	___x___ none reported
Noncompliance material to financial statements noted?	________ yes	___x___ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	________ yes	___x___ no
• Significant deficiency(ies) identified?	________ yes	___x___ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	________ yes	___x___ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	___x___ yes	________ no