

UNITED WAY OF
MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2014 AND 2013

UNITED WAY OF MIDDLE TENNESSEE, INC.

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TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statement of Activities (2014).....	4
Statement of Activities (2013).....	5
Statement of Functional Expenses (2014)	6
Statement of Functional Expenses (2013)	7
Statements of Cash Flows.....	8
Notes to Financial Statements	9 - 28

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, 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

The Organization's 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. 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 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 the United Way of Middle Tennessee, Inc. as of December 31, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kraft CPAs PLLC

Nashville, Tennessee
August 6, 2015

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 3,903,132	\$ 2,975,818
Pledges receivable, net	10,713,567	9,528,515
Grants receivable	1,074,480	1,370,070
Other receivable	209,386	44,417
Prepaid and other	67,066	89,915
Investments, at fair value	13,414,250	13,077,824
Property and equipment, net	455,688	446,171
Net pension assets	211,095	473,168
Cash surrender value of donor life insurance policies	<u>1,188,762</u>	<u>1,141,430</u>
TOTAL ASSETS	<u>\$ 31,237,426</u>	<u>\$ 29,147,328</u>
LIABILITIES		
Designations payable	\$ 3,721,733	\$ 3,365,336
Allocations payable	3,177,000	3,406,602
Grant payments due to subrecipients	1,268,268	1,041,624
Accounts payable and accrued expenses	<u>508,452</u>	<u>616,199</u>
TOTAL LIABILITIES	<u>8,675,453</u>	<u>8,429,761</u>
NET ASSETS		
Unrestricted	2,693,544	1,674,910
Temporarily restricted	12,267,824	11,442,052
Permanently restricted	<u>7,600,605</u>	<u>7,600,605</u>
TOTAL NET ASSETS	<u>22,561,973</u>	<u>20,717,567</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,237,426</u>	<u>\$ 29,147,328</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - prior year	1,134,726	\$ -	\$ -	\$ 1,134,726
Gross campaign results - released from restrictions	<u>13,472,321</u>	<u>(13,472,321)</u>	<u>-</u>	<u>-</u>
Total campaign results - prior year	14,607,047	(13,472,321)	-	1,134,726
Less donor designations	(3,740,171)	3,637,083	-	(103,088)
Less provision for uncollectible accounts	<u>(552,836)</u>	<u>639,290</u>	<u>-</u>	<u>86,454</u>
Net campaign revenue - prior year	10,314,040	(9,195,948)	-	1,118,092
Gross campaign results - current year	-	14,966,206	-	14,966,206
Less donor designations	-	(4,469,354)	-	(4,469,354)
Less provision for uncollectible accounts	<u>-</u>	<u>(623,568)</u>	<u>-</u>	<u>(623,568)</u>
Net campaign revenue - current year	-	9,873,284	-	9,873,284
Grants	6,492,810	772,881	-	7,265,691
Other contributions and in-kind	1,507,286	-	-	1,507,286
Designations from other United Way organizations	288,097	-	-	288,097
Service fees	449,777	-	-	449,777
Endowment spending rate	520,000	-	-	520,000
Miscellaneous income	9,564	-	-	9,564
Non-endowment investment income	267,189	13,299	-	280,488
Other net assets released from restrictions	<u>694,774</u>	<u>(694,774)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>20,543,537</u>	<u>768,742</u>	<u>-</u>	<u>21,312,279</u>
PROGRAM SERVICES				
Program investments and designations to direct service providers	11,174,773	-	-	11,174,773
Less: donor designations	<u>(3,740,171)</u>	<u>-</u>	<u>-</u>	<u>(3,740,171)</u>
Net program investments	7,434,602	-	-	7,434,602
Community building	1,542,176	-	-	1,542,176
Grants and initiatives	<u>6,950,901</u>	<u>-</u>	<u>-</u>	<u>6,950,901</u>
TOTAL PROGRAM SERVICES	<u>15,927,679</u>	<u>-</u>	<u>-</u>	<u>15,927,679</u>
SUPPORTING SERVICES				
Management and general	1,245,622	-	-	1,245,622
Fundraising and marketing	<u>2,141,197</u>	<u>-</u>	<u>-</u>	<u>2,141,197</u>
TOTAL SUPPORTING SERVICES	<u>3,386,819</u>	<u>-</u>	<u>-</u>	<u>3,386,819</u>
TOTAL COSTS AND EXPENSES	<u>19,314,498</u>	<u>-</u>	<u>-</u>	<u>19,314,498</u>
Change in net assets before non-operating items	1,229,039	768,742	-	1,997,781
Endowment gain, exclusive of spending rate	-	57,030	-	57,030
Employee retirement plan loss	<u>(210,405)</u>	<u>-</u>	<u>-</u>	<u>(210,405)</u>
CHANGE IN NET ASSETS	1,018,634	825,772	-	1,844,406
NET ASSETS - BEGINNING OF YEAR	<u>1,674,910</u>	<u>11,442,052</u>	<u>7,600,605</u>	<u>20,717,567</u>
NET ASSETS - END OF YEAR	<u>\$ 2,693,544</u>	<u>\$ 12,267,824</u>	<u>\$ 7,600,605</u>	<u>\$ 22,561,973</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
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	<u>18,003,609</u>	<u>1,395,769</u>	<u>-</u>	<u>19,399,378</u>
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	<u>14,420,523</u>	<u>-</u>	<u>-</u>	<u>14,420,523</u>
SUPPORTING SERVICES				
Management and general	1,442,658	-	-	1,442,658
Fundraising and marketing	2,045,202	-	-	2,045,202
TOTAL SUPPORTING SERVICES	<u>3,487,860</u>	<u>-</u>	<u>-</u>	<u>3,487,860</u>
TOTAL COSTS AND EXPENSES	<u>17,908,383</u>	<u>-</u>	<u>-</u>	<u>17,908,383</u>
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	<u>28,297</u>	<u>2,376,875</u>	<u>-</u>	<u>2,405,172</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,646,613</u>	<u>9,065,177</u>	<u>7,600,605</u>	<u>18,312,395</u>
NET ASSETS - END OF YEAR	<u>\$ 1,674,910</u>	<u>\$ 11,442,052</u>	<u>\$ 7,600,605</u>	<u>\$ 20,717,567</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	\$ 738,342	\$ 592,179	\$ 1,330,521
Payroll taxes	52,378	42,848	95,226
Employee benefits	65,392	53,736	119,128
Total personnel costs	856,112	688,763	1,544,875
Professional and contract fees	73,960	77,654	151,614
Supplies	4,127	21,416	25,543
Telephone	8,653	12,691	21,344
Postage and shipping	4,011	1,911	5,922
Occupancy	40,459	38,256	78,715
Maintenance and equipment rental	50,454	21,022	71,476
Printing and promotional	332,876	211,412	544,288
Travel	20,923	15,408	36,331
Events and meetings	41,237	12,637	53,874
Dues to United Way of America and others	71,781	-	71,781
Miscellaneous	20,289	-	20,289
Total other operating expenses	668,770	412,407	1,081,177
Depreciation of property and equipment	17,294	9,858	27,152
Total operating expenses	1,542,176	1,111,028	2,653,204
Program grants to direct service providers	-	5,839,873	5,839,873
	<u>\$ 1,542,176</u>	<u>\$ 6,950,901</u>	8,493,077
Net program investments (shown separately on the statement of activities)			<u>7,434,602</u>
			<u>\$ 15,927,679</u>

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising and Marketing	Total Supporting Services	Total
\$ 808,255	\$ 1,196,612	\$ 2,004,867	\$ 3,335,388
48,718	81,662	130,380	225,606
92,513	115,832	208,345	327,473
949,486	1,394,106	2,343,592	3,888,467
113,506	134,502	248,008	399,622
10,508	4,562	15,070	40,613
16,298	19,048	35,346	56,690
6,102	8,051	14,153	20,075
33,018	51,451	84,469	163,184
17,913	84,603	102,516	173,992
7,115	234,477	241,592	785,880
15,027	23,538	38,565	74,896
14,525	73,000	87,525	141,399
47,156	69,171	116,327	188,108
3,244	21,855	25,099	45,388
284,412	724,258	1,008,670	2,089,847
11,724	22,833	34,557	61,709
1,245,622	2,141,197	3,386,819	6,040,023
-	-	-	5,839,873
\$ 1,245,622	\$ 2,141,197	\$ 3,386,819	11,879,896
			7,434,602
			\$ 19,314,498

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
	<u>\$ 1,221,015</u>	<u>\$ 5,652,825</u>	6,873,840
Net program investments (shown separately on the statement of activities)			<u>7,546,683</u>
			<u>\$ 14,420,523</u>

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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,844,406	\$ 2,405,172
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	61,709	72,210
Realized gain on sale of investments	(628,964)	(599,298)
Unrealized gain on investments	(74,689)	(1,449,073)
(Increase) decrease in assets:		
Pledges receivable	(1,185,052)	(210,076)
Grants receivable	295,590	(388,459)
Prepaid expenses and other receivable	(142,120)	4,641
Net pension assets	262,073	95,933
Cash surrender value of donor life insurance policies	(47,332)	(47,270)
Increase (decrease) in liabilities:		
Designations, allocations and grant payments due to subrecipients	353,439	(60,619)
Accounts payable and accrued expenses	(107,747)	(20,435)
TOTAL ADJUSTMENTS	(1,213,093)	(2,602,446)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	631,313	(197,274)
INVESTING ACTIVITIES		
Purchase of investments	(7,339,566)	(6,002,350)
Proceeds from sale of investments	7,706,793	6,319,136
Purchase of property and equipment	(71,226)	(51,487)
NET CASH PROVIDED BY INVESTING ACTIVITIES	296,001	265,299
NET INCREASE IN CASH AND CASH EQUIVALENTS	927,314	68,025
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,975,818	2,907,793
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,903,132	\$ 2,975,818

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of money market, equity securities, fixed income mutual funds and alternative investments and are carried at the 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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

A portion of the Organization's portfolio of investments (level 3) consists of private securities which are in inactively traded markets. The fair values of these securities are determined by SunTrust based on various pricing sources, whose appraisals are based either on the closing value, the mean between bid and ask, or a matrix on interest rates for similar securities. Non-traditional or alternative investment values reflect the most current data provided.

Due to the inherent uncertainty of valuation, the fair value of investments in level 3 funds is based on available information and does not necessarily represent the amount that might ultimately be realized, which depends on future circumstances and cannot be reasonably determinable until the investment is actually liquidated. The fair values may differ materially from the values that would have been used had a ready market for these investment funds existed.

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 \$787,149 was incurred for the year ended December 31, 2014 (\$406,368 for the year ended December 31, 2013).

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2011 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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2014 and August 6, 2015, 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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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:

	2014			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments:				
Short-term investments	\$ 53,360	\$ -	\$ -	\$ 53,360
Equity securities:				
Large Cap funds	7,135,733	-	-	7,135,733
Mid Cap funds	741,303	-	-	741,303
Small Cap funds	667,439	-	-	667,439
International funds	1,666,539	-	-	1,666,539
Fixed income mutual funds	2,150,700	-	-	2,150,700
Alternative investments	-	-	999,176	999,176
Total investments at fair value	<u>\$ 12,415,074</u>	<u>\$ -</u>	<u>\$ 999,176</u>	<u>\$ 13,414,250</u>
	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 at fair value	<u>\$ 13,077,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,077,824</u>

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in fair value of the Organization's Level 3 alternative investments for the year ended December 31, 2014:

Balance, beginning of year	\$ -
Purchases	1,000,000
Unrealized loss on investments	<u>(824)</u>
Balance, end of year	<u>\$ 999,176</u>

Fair value of level 3 investments in certain entities that calculate net asset value per share (or its equivalent):

Investment	Fair Value at December 31, 2014	Fair Value at December 31, 2013	Unfunded Commitment at December 31, 2014	Redemption Frequency*	Redemption Notice Period*
Pine Grove Alternative Institutional Fund	\$498,024	\$0	\$0	Quarterly	95 days
Voyager Partners Offshore LTD	\$501,152	\$0	\$0	Quarterly	95 days

The investment objectives of the limited partnerships and hedge funds are as follows:

The Pine Grove Alternative Institutional Fund seeks long-term capital appreciation. The Fund seeks to achieve its investment objective by generating attractive long-term risk-adjusted returns as compared to those offered by traditional public equity and fixed income markets. The Fund seeks to accomplish its objective by investing substantially all its assets in investment funds, often referred to as hedge funds managed by unaffiliated third-party investment managers that specialize in a variety of investment strategies and types of investments.

The Voyager Partners Offshore Ltd. engages in investment activities through its investment in Voyager Partners, L.P. The investment allocates its assets among multiple professional managers for the purpose of achieving capital appreciation. The professional managers are accessed through private investment companies and other investment entities that invest and trade in a variety of securities and other financial instruments.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 4 - INVESTMENTS

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

	<u>2014</u>		<u>2013</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 53,360	\$ 53,360	\$ 53,152	\$ 53,152
Equity securities	10,211,014	7,687,903	10,048,043	7,608,811
Fixed income mutual funds	2,150,700	2,128,865	2,976,629	2,946,155
Alternative investments	999,176	1,000,000	-	-
	<u>\$ 13,414,250</u>	<u>\$ 10,870,128</u>	<u>\$ 13,077,824</u>	<u>\$ 10,608,118</u>

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

	<u>2014</u>	<u>2013</u>
Return on investments:		
Interest and dividend income	\$ 205,682	\$ 233,225
Investment fees	(51,817)	(47,488)
Gain on investments:		
Realized gain on sale of investments	628,964	599,298
Increase in accumulated unrealized gain on investments	<u>74,689</u>	<u>1,449,073</u>
Total return on investments	<u>\$ 857,518</u>	<u>\$ 2,234,108</u>

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

	<u>2014</u>	<u>2013</u>
Non-endowment investment income	\$ 280,488	\$ 708,002
Endowment spending rate	520,000	545,000
Endowment gain, exclusive of spending rate	<u>57,030</u>	<u>981,106</u>
Total return on investments	<u>\$ 857,518</u>	<u>\$ 2,234,108</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Current year campaign	\$ 10,070,944	\$ 9,385,667
Prior years' campaigns	<u>3,177,943</u>	<u>2,305,553</u>
	<u>13,248,887</u>	<u>11,691,220</u>
Less allowance for uncollectible pledges:		
Current year campaign	807,097	825,121
Prior years' campaigns	<u>1,728,223</u>	<u>1,337,584</u>
	<u>2,535,320</u>	<u>2,162,705</u>
Total pledges receivable	<u>\$ 10,713,567</u>	<u>\$ 9,528,515</u>

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:

	<u>2014</u>	<u>2013</u>
Land	\$ 272,715	\$ 272,715
Building and improvements	1,670,661	1,613,081
Furniture and equipment	<u>1,262,785</u>	<u>1,249,139</u>
	3,206,161	3,134,935
Less accumulated depreciation	<u>2,750,473</u>	<u>2,688,764</u>
Total property and equipment, net	<u>\$ 455,688</u>	<u>\$ 446,171</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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 \$103,295 in 2014 (\$94,984 in 2013).

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	<u>2014</u>	<u>2013</u>
Benefit obligation	\$ (3,842,752)	\$ (3,741,934)
Fair value of plan assets	<u>4,053,847</u>	<u>4,215,102</u>
Net pension assets	<u>\$ 211,095</u>	<u>\$ 473,168</u>
Accumulated benefit obligation	<u>\$ (3,842,752)</u>	<u>\$ (3,741,934)</u>
Employer contributions	<u>\$ -</u>	<u>\$ -</u>
Annuities purchased or benefits paid (including expense charges)	<u>\$ 231,130</u>	<u>\$ 387,142</u>

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

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 7 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

	<u>2014</u>	<u>2013</u>
Net unrealized gain (loss) and amount previously not recognized in unrestricted net assets and in periodic pension cost	<u>\$ (210,405)</u>	<u>\$ (66,929)</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in Changes in Unrestricted Net Assets		
	<u>2014</u>	<u>2013</u>
Service cost	\$ (10,465)	\$ (10,125)
Interest cost	(149,884)	(149,629)
Expected return on plan assets	189,445	227,454
Losses recognized (actuarial)	(22,465)	(15,688)
Losses recognized due to settlement	<u>(58,296)</u>	<u>(81,016)</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ (51,665)</u>	<u>\$ (29,004)</u>

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

	<u>2014</u>	<u>2013</u>
Discount rate	3.40%	4.00%
Expected return on plan assets	4.50%	5.00%
Rate of compensation increase	0.00%	0.00%

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 7 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

The expected long-term rate of return on plan assets assumption of 4.5% (5% as of December 31, 2013) 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. A best estimate range was determined for both the real rate of return (net of inflation) and for the inflation based on the Company’s historic 30 year period rolling averages.

The Organization’s defined benefit pension plan investment policy had a target allocation percentage of 0% equity and 100% fixed income. However as of December 31, 2014, the Organization elected to change the target allocation to 25% equity and 75% fixed income.

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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 80% equities, 15% fixed income and 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 alternative investments.

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

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Designated endowment	<u>\$ 133,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,274</u>
Donor-Designated endowment funds	<u>\$ -</u>	<u>\$ 1,297,036</u>	<u>\$ 7,600,605</u>	<u>\$ 8,897,641</u>
	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Designated endowment	<u>\$ 125,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,014</u>
Donor-Designated endowment funds	<u>\$ -</u>	<u>\$ 1,240,006</u>	<u>\$ 7,600,605</u>	<u>\$ 8,840,611</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

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

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ 125,014	\$ 1,240,006	\$ 7,600,605	\$ 8,965,625
Contributions	-	-	-	-
Investment income	1,973	136,763	-	138,736
Investment fees	(500)	(34,913)	-	(35,413)
Net appreciation (realized and unrealized)	6,787	475,180	-	481,967
Amounts appropriated for expenditure	-	(520,000)	-	(520,000)
Endowment net assets, December 31, 2014	<u>\$ 133,274</u>	<u>\$ 1,297,036</u>	<u>\$ 7,600,605</u>	<u>\$ 9,030,915</u>
	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>\$ 125,014</u>	<u>\$ 1,240,006</u>	<u>\$ 7,600,605</u>	<u>\$ 8,965,625</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 9 - NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Contributions to support the Restore the Dream fund	\$ 216,368	\$ 203,069
Contributions to support the 2-1-1 program	20,000	45,000
Contributions to support the National Alliance for Financial Independence	30,000	32,500
Contributions to support the Read to Succeed program	169,237	20,000
Contributions to support the Financial Empowerment Centers	447,944	586,832
Contributions to support allocations and operations of future periods	9,769,235	9,195,948
Imagination library	117,332	105,001
Contributions to support the Baptist Healing Trust-ACA	4,478	-
Contributions to support the Community Impact-EARS Coalition	5,000	-
Contributions to support the BCBS Spark Grant	178,810	-
Deferred revenue for future campaigns, net of designations	12,384	13,696
Net unappropriated gains on permanently restricted endowment since inception	<u>1,297,036</u>	<u>1,240,006</u>
Total temporarily restricted net assets	<u>\$ 12,267,824</u>	<u>\$ 11,442,052</u>

Permanently restricted net assets at December 31, 2014 and 2013 consist entirely of endowment funds. Income from such endowment funds is temporarily restricted until the funds have been appropriated for expenditure.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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:

	<u>2014</u>	<u>2013</u>
Program services (primarily restricted grants and contributions)	\$ 694,774	\$ 61,979
Passage of time (previous year's campaign pledges to support current year operations)	<u>9,195,948</u>	<u>8,539,074</u>
Total net assets released from restrictions	<u>\$ 9,890,722</u>	<u>\$ 8,601,053</u>

NOTE 11 - OPERATING LEASES

The Organization is obligated on six noncancelable operating leases for various office equipment that expire at various dates through December 2017. Total rental expense in the amount of \$58,688 was incurred for the year ended December 31, 2014 (\$53,121 for the year ended December 31, 2013).

Future minimum lease payments required under all noncancelable leases as of December 31, 2014 are:

Year Ending December 31,

2015	\$ 52,831
2016	52,831
2017	<u>44,026</u>
	<u>\$ 149,688</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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 differences between total revenues reported per the financial statements and the Form 990 is the inclusion of donor designations, endowments gains, employee retirement plan losses and unrealized gains on investments. 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 for the year ended December 31, 2014:

	<u>Statement of Activities</u>
Total support and revenue	\$ 21,312,279
Plus:	
Donor designations	4,572,442
Endowment gains, exclusive of spending rate	57,030
Less:	
Donated services	(233,579)
Employee retirement plan loss	(210,405)
Unrealized gains on investments, net	<u>(74,689)</u>
Adjusted total revenue per Form 990	<u>\$ 25,423,078</u>
Total supporting services costs	\$ 3,386,819
Percent of adjusted total revenue	13.3%