

UNITED WAY OF
MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF
METROPOLITAN NASHVILLE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2006 AND 2005

UNITED WAY OF MIDDLE TENNESSE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of United Way of Middle Tennessee, Inc. d/b/a United Way of Metropolitan Nashville (the "Organization") as of December 31, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Middle Tennessee, Inc. d/b/a United Way of Metropolitan Nashville as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 5 to the financial statements, effective December 31, 2006, the Organization adopted the provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which changed the method of reporting the funded status of a defined benefit postretirement plan.

KraftCPAs PLLC

Nashville, Tennessee
August 16, 2007

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 4,813,195	\$ 6,047,906
Investments, at fair value - Note 2	14,543,375	12,288,162
Pledges receivable, net - Note 3	10,295,504	11,402,942
Grants receivable	495,267	1,182,981
Refundable advances made to subrecipients - Note 10	1,371,712	-
Other receivable	88,529	55,067
Prepaid expenses	34,320	29,179
Property and equipment, net - Note 4	572,457	639,456
Prepaid pension costs - Note 5	-	634,858
Net pension assets - Note 5	1,363,720	-
Cash surrender value of donated life insurance policies	<u>841,213</u>	<u>796,633</u>
TOTAL ASSETS	<u>\$ 34,419,292</u>	<u>\$ 33,077,184</u>
LIABILITIES		
Designations payable	\$ 5,213,811	\$ 6,471,825
Allocations payable	3,884,436	3,891,099
Grants payable	174,408	806,257
Advances from grantors - Note 10	2,122,412	-
Accounts payable and accrued expenses	<u>314,532</u>	<u>359,852</u>
TOTAL LIABILITIES	<u>11,709,599</u>	<u>11,529,033</u>
COMMITMENTS AND CONTINGENCIES - Note 12		
NET ASSETS		
Unrestricted	6,066,861	3,997,414
Temporarily restricted - Note 6	9,042,227	9,950,132
Permanently restricted	<u>7,600,605</u>	<u>7,600,605</u>
TOTAL NET ASSETS	<u>22,709,693</u>	<u>21,548,151</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,419,292</u>	<u>\$ 33,077,184</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE,

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - 2005/2006	\$ 3,029,508	\$ -	\$ -	\$ 3,029,508
Gross campaign results - released from restrictions	14,604,857	(14,604,857)	-	-
Total campaign results - 2005/2006	17,634,365	(14,604,857)	-	3,029,508
Less donor designations	(5,933,339)	4,783,260	-	(1,150,079)
Less provision for uncollectible accounts	(569,189)	607,622	-	38,433
Net campaign revenue - 2005/2006	11,131,837	(9,213,975)	-	1,917,862
Gross campaign results - 2006/2007 ⁽¹⁾	-	13,402,837	-	13,402,837
Less donor designations	-	(4,489,655)	-	(4,489,655)
Less provision for uncollectible accounts	-	(529,997)	-	(529,997)
Net campaign revenue - 2006/2007	-	8,383,185	-	8,383,185
Other contributions	514,122	536,120	-	1,050,242
Government grants	7,390,290	-	-	7,390,290
Designations from other United Way organizations	162,830	-	-	162,830
Service fees	454,528	-	-	454,528
Endowment spending rate	566,000	-	-	566,000
Interest income	153,691	-	-	153,691
Miscellaneous income	179,867	-	-	179,867
Other net assets released from restrictions	613,235	(613,235)	-	-
TOTAL SUPPORT AND REVENUE	21,166,400	(907,905)	-	20,258,495
PROGRAM SERVICES				
Program investments and designations to direct service providers	13,690,799	-	-	13,690,799
Less: donor designations	(5,933,339)	-	-	(5,933,339)
Net program investments	7,757,460	-	-	7,757,460
Community building	697,655	-	-	697,655
Grants and initiatives	8,460,166	-	-	8,460,166
TOTAL PROGRAM SERVICES	16,915,281	-	-	16,915,281
SUPPORTING SERVICES				
Management and general	1,135,753	-	-	1,135,753
Fundraising and marketing	2,344,281	-	-	2,344,281
United Way of America dues	173,000	-	-	173,000
TOTAL SUPPORTING SERVICES	3,653,034	-	-	3,653,034
TOTAL COSTS AND EXPENSES	20,568,315	-	-	20,568,315
Change in net assets before non-operating items	598,085	(907,905)	-	(309,820)
Endowment gains (losses), exclusive of spending rate	741,269	-	-	741,269
Effect of adoption of recognition and measurement date provisions of SFAS No. 158 - Note 5	730,093	-	-	730,093
CHANGE IN NET ASSETS	2,069,447	(907,905)	-	1,161,542
NET ASSETS - BEGINNING OF YEAR	3,997,414	9,950,132	7,600,605	21,548,151
NET ASSETS - END OF YEAR	\$ 6,066,861	\$ 9,042,227	\$ 7,600,605	\$ 22,709,693

⁽¹⁾ Includes \$11,444 for future campaigns, less \$32,706 recognized in prior year.

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - 2004/2005	\$ 2,107,182	\$ -	\$ -	\$ 2,107,182
Gross campaign results - released from restrictions	17,738,504	(17,738,504)	-	-
Total campaign results - 2004/2005	19,845,686	(17,738,504)	-	2,107,182
Less donor designations	(7,875,888)	7,095,694	-	(780,194)
Less provision for uncollectible accounts	(846,625)	649,124	-	(197,501)
Net campaign revenue - 2004/2005	11,123,173	(9,993,686)	-	1,129,487
Gross campaign results - 2005/2006 ⁽¹⁾	-	14,142,683	-	14,142,683
Less donor designations	-	(4,789,570)	-	(4,789,570)
Less provision for uncollectible accounts	-	(607,622)	-	(607,622)
Net campaign revenue - 2005/2006	-	8,745,491	-	8,745,491
Other contributions	104,154	594,507	477,871	1,176,532
Government grants	5,658,384	-	-	5,658,384
Designations from other United Way organizations	97,893	-	-	97,893
Service fees	461,652	-	-	461,652
Endowment spending rate	434,300	-	-	434,300
Interest income	94,837	-	-	94,837
Miscellaneous income	175,481	-	-	175,481
Other net assets released from restrictions	312,651	(312,651)	-	-
TOTAL SUPPORT AND REVENUE	18,462,525	(966,339)	477,871	17,974,057
PROGRAM SERVICES				
Program investments and designations to direct service providers	15,747,313	-	-	15,747,313
Less: donor designations	(7,875,888)	-	-	(7,875,888)
Net program investments	7,871,425	-	-	7,871,425
Community building	836,296	-	-	836,296
Grants and initiatives	6,029,929	-	-	6,029,929
TOTAL PROGRAM SERVICES	14,737,650	-	-	14,737,650
SUPPORTING SERVICES				
Management and general	1,088,644	-	-	1,088,644
Fundraising and marketing	2,268,779	-	-	2,268,779
United Way of America dues	191,057	-	-	191,057
TOTAL SUPPORTING SERVICES	3,548,480	-	-	3,548,480
TOTAL COSTS AND EXPENSES	18,286,130	-	-	18,286,130
Change in net assets before endowment gains (losses)	176,395	(966,339)	477,871	(312,073)
Endowment gains (losses), exclusive of spending rate	1,384,493	-	-	1,384,493
CHANGE IN NET ASSETS	1,560,888	(966,339)	477,871	1,072,420
NET ASSETS - BEGINNING OF YEAR	2,436,526	10,916,471	7,122,734	20,475,731
NET ASSETS - END OF YEAR	\$ 3,997,414	\$ 9,950,132	\$ 7,600,605	\$ 21,548,151

⁽¹⁾ Includes \$32,706 for future campaigns, less \$640,800 recognized in prior year.

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	\$ 460,633	\$ 338,652	\$ 799,285
Employee benefits	53,517	37,870	91,387
Payroll taxes	32,134	24,273	56,407
Total personnel costs	546,284	400,795	947,079
Professional and contract fees	23,041	597,357	620,398
Supplies	1,153	2,781	3,934
Telephone	4,758	2,296	7,054
Postage and shipping	7,245	3,768	11,013
Occupancy	24,443	16,793	41,236
Maintenance and equipment rental	28,274	14,693	42,967
Printing and promotional	22,239	64,480	86,719
Travel	4,476	15,823	20,299
Conferences, conventions, and meetings	3,969	8,131	12,100
Dues and subscriptions	6,827	276	7,103
Miscellaneous	2,608	1,075	3,683
Total other operating expenses	129,033	727,473	856,506
Depreciation of property and equipment	22,338	15,321	37,659
Total operating expenses	697,655	1,143,589	1,841,244
Program grants to direct service providers	-	7,316,577	7,316,577
	<u>\$ 697,655</u>	<u>\$ 8,460,166</u>	9,157,821
Net program investments (shown separately on the Statement of Activities)			<u>7,757,460</u>
			<u>\$ 16,915,281</u>

See accompanying notes to financial statements.

Supporting Services				
Management and General	Fundraising and Marketing	United Way of America Dues	Total Supporting Services	Total
\$ 655,797	\$ 1,238,558	\$ -	\$ 1,894,355	\$ 2,693,640
65,403	120,082	-	185,485	276,872
41,570	85,618	-	127,188	183,595
762,770	1,444,258	-	2,207,028	3,154,107
93,974	36,774	-	130,748	751,146
6,568	2,694	-	9,262	13,196
10,151	11,450	-	21,601	28,655
14,088	17,715	-	31,803	42,816
53,435	63,115	-	116,550	157,786
81,289	57,946	-	139,235	182,202
4,533	368,673	-	373,206	459,925
20,394	18,784	-	39,178	59,477
7,084	252,005	-	259,089	271,189
15,504	11,022	173,000	199,526	206,629
36,155	3,141	-	39,296	42,979
343,175	843,319	173,000	1,359,494	2,216,000
29,808	56,704	-	86,512	124,171
1,135,753	2,344,281	173,000	3,653,034	5,494,278
-	-	-	-	7,316,577
<u>\$ 1,135,753</u>	<u>\$ 2,344,281</u>	<u>\$ 173,000</u>	3,653,034	12,810,855
			-	7,757,460
			<u>\$ 3,653,034</u>	<u>\$ 20,568,315</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	\$ 587,874	\$ 180,708	\$ 768,582
Employee benefits	73,378	18,501	91,879
Payroll taxes	40,541	11,903	52,444
Total personnel costs	701,793	211,112	912,905
Professional and contract fees	16,186	392,108	408,294
Supplies	2,347	4,765	7,112
Telephone	7,678	2,400	10,078
Postage and shipping	6,800	2,528	9,328
Occupancy	28,539	13,690	42,229
Maintenance and equipment rental	21,121	8,053	29,174
Printing and promotional	4,348	6,576	10,924
Travel	4,810	6,404	11,214
Conferences, conventions, and meetings	6,619	3,439	10,058
Dues and subscriptions	7,732	10	7,742
Miscellaneous	16	178	194
Planned giving premium expense	-	-	-
Total other operating expenses	106,196	440,151	546,347
Depreciation of property and equipment	28,307	12,581	40,888
Total operating expenses	836,296	663,844	1,500,140
Program grants to direct service providers	-	5,366,085	5,366,085
	<u>\$ 836,296</u>	<u>\$ 6,029,929</u>	6,866,225
Net program investments (shown separately on the Statement of Activities)			<u>7,871,425</u>
			<u>\$ 14,737,650</u>

See accompanying notes to financial statements.

Supporting Services				
Management and General	Fundraising and Marketing	United Way of America Dues	Total Supporting Services	Total
\$ 616,745	\$ 1,283,328	\$ -	\$ 1,900,073	\$ 2,668,655
64,490	127,063	-	191,553	283,432
37,084	86,064	-	123,148	175,592
718,319	1,496,455	-	2,214,774	3,127,679
92,830	44,079	-	136,909	545,203
7,059	4,350	-	11,409	18,521
13,832	18,128	-	31,960	42,038
13,921	16,905	-	30,826	40,154
61,003	68,645	-	129,648	171,877
84,952	52,537	-	137,489	166,663
5,016	408,042	-	413,058	423,982
14,219	24,956	-	39,175	50,389
6,477	55,199	-	61,676	71,734
12,154	13,010	191,057	216,221	223,963
17,281	422	-	17,703	17,897
4,699	-	-	4,699	4,699
333,443	706,273	191,057	1,230,773	1,777,120
36,882	66,051	-	102,933	143,821
1,088,644	2,268,779	191,057	3,548,480	5,048,620
-	-	-	-	5,366,085
<u>\$ 1,088,644</u>	<u>\$ 2,268,779</u>	<u>\$ 191,057</u>	3,548,480	10,414,705
			-	7,871,425
			<u>\$ 3,548,480</u>	<u>\$ 18,286,130</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,161,542	\$ 1,072,420
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	124,171	143,821
Realized gain on sale of investments	(208,546)	(1,782,506)
Unrealized (gain) loss on investments	(743,871)	215,834
Effect of adoption of recognition and measurement date provisions of SFAS No. 158 - Note 5	(730,093)	-
Noncash contribution of securities	-	(477,871)
(Increase) decrease in assets:		
Pledges receivable	1,107,438	4,538,964
Grant receivable	687,714	(953,703)
Refundable advances to subrecipients	(1,371,712)	-
Prepaid expenses and other receivable	(38,603)	323,927
Prepaid pension costs	1,231	7,812
Cash surrender value of life insurance policies	(44,580)	(88,766)
Increase (decrease) in liabilities:		
Designations, allocations and grants payable	(1,896,526)	(3,393,871)
Advances from grantors	2,122,412	(775,389)
Accounts payable and accrued expenses	(45,320)	132,361
TOTAL ADJUSTMENTS	<u>(1,036,285)</u>	<u>(2,109,387)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>125,257</u>	<u>(1,036,967)</u>
INVESTING ACTIVITIES		
Purchase of investments	(18,358,007)	(24,018,112)
Proceeds from sale of investments	17,055,211	24,518,155
Purchase of property and equipment	(57,172)	(67,001)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,359,968)</u>	<u>433,042</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,234,711)	(603,925)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,047,906</u>	<u>6,651,831</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,813,195</u>	<u>\$ 6,047,906</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

United Way of Middle Tennessee, Inc. (d/b/a United Way of Metropolitan Nashville) (the "Organization" or "United Way") presents its financial statements according to the standards of accounting and financial reporting for not-for-profit and voluntary health and welfare organizations in conformity with accounting principles generally accepted in the United States of America.

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. The current name, United Way of Metropolitan Nashville, Inc., was adopted in 1999. During 2006, the Board of Trustees voted to change the legal name of the Organization to United Way of Middle Tennessee, Inc.

During 2006, the United Way organization in Cheatham County merged its operations with the United Way of Middle Tennessee, Inc. Activities in Cheatham County continue to operate under the United Way of Cheatham County name. There were no net assets transferred as part of this merger.

The mission of United Way is to bring people and organizations together to create a community where individuals, families, and neighborhoods thrive. The Organization is governed by a volunteer Board of Trustees composed of a cross section of community and business leaders.

Basis of presentation

The Combined Federal Campaign ("CFC") previously contracted with the United Way to manage the campaign and administer the funds of CFC. In accordance with United Way of America's revised *Financial Statement Requirements (Membership Requirement H)*, the Fall 2004 campaign results of the CFC are included in the gross campaign results of United Way of Middle Tennessee, Inc., and are included in the Organization's statement of activities for the year ended December 31, 2005. The Organization did not manage the CFC's Fall 2005 or Fall 2006 Campaigns. (See Note 8.)

Financial statement presentation follows the accounting and reporting standards established by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the assets, liabilities and net assets of the Organization are reported as follows:

- Unrestricted - includes unrestricted resources and represents expendable funds available for support of the Organization's operations.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation (Continued)

- Temporarily restricted - includes gifts from contributions restricted for specific programs or time periods.
- Permanently restricted - includes gifts which contain provisions requiring in perpetuity that the principal be invested and the income or specific portions thereof be used for the Organization's operations.

Adoption of new accounting pronouncement

Effective December 31, 2006, the Organization adopted the recognition provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"), which requires that the funded status of defined benefit pension and other postretirement plans be fully recognized in the statement of financial position. Under the provisions of SFAS No. 158:

- a. The funded status of the plan, measured as the difference between the fair value of plan assets and the projected benefit obligation, is recognized in the statement of financial position;
- b. The statuses of all underfunded plans are aggregated and recognized as a liability, and the statuses of all overfunded plans are aggregated and recognized as an asset in the statement of financial position;
- c. Gains or losses and prior service costs or credits that arise during the period are recognized as a separate line item or items within changes in unrestricted net assets, and not as components of net periodic benefit cost pursuant to SFAS No. 87; and
- d. A portion of the net gain or loss and prior service costs or credits previously recognized in a separate line item or items, pursuant to (c) above, and a portion of the transition asset or obligation remaining from the initial application of SFAS No. 87, are reclassified to net periodic benefit cost.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, pledges receivable, 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 in the fall of each year to raise support for program investments in participating agencies 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 four-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 are considered to be agency-type transactions and are not included in net revenues or expenses of the Organization. Campaign expenses for annual campaigns are recognized in the period incurred.

Program investments in partner agencies are recognized as program service expenses in the period approved by the Board of Trustees, and corresponding 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. Grant funds received prior to expenditure are recorded initially as an advance from the grantor. 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. Grant program funds paid to subrecipient agencies prior to expenditure by the agency are reported as refundable advances to the subrecipients.

Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, repurchase agreements, money market funds, commercial paper, and U.S. government bonds with original maturities when purchased of three months or less.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of certificates of deposit and various marketable debt and equity securities and are carried at the quoted fair market value of the securities on the last business day of the reporting period. Changes in unrealized gains and losses are recognized in the statement of activities for the year. Investments received by gift are recorded as support at the market or appraised value at the date of receipt.

Property and equipment

Property and equipment are reported at cost if purchased, at fair value at the date of gift if the value is readily determinable, or other reasonable basis as determined by the Board of Trustees if cost is unknown. Costs of maintenance and repairs are charged to expense as incurred. Building and equipment are depreciated by the straight-line method over their estimated useful lives. The general range of useful lives is thirty years for building and three to five years for the majority of building improvements and equipment.

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.

Program and supporting services - functional allocation

The following functional expense classifications 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 and program investments in the Read to Succeed initiative.

Less donor designations - represents the gross amount of campaign funding designated by the donor and held in an agency capacity by the Organization.

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

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services - functional allocation (Continued)

Program services (Continued)

Community building - includes activities funded by the annual campaign related to planning, oversight, administration of outcome-based investments, and support for the Family Resource Center system. In 2005, activities also included planning, oversight and administration for 2-1-1 and Read to Succeed.

Grants and initiatives - includes activities that deliver services funded by sources other than the annual campaign, such as the Ryan White/Community AIDS Partnership, Early Reading First and Read to Succeed, 2-1-1, Family Resource Center coordination and administration, and statewide support for the Governor's pre-kindergarten program.

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

United Way of America dues - payments to the Organization's national offices for membership.

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 management and general fee based on actual historical costs in accordance with United Way of America's Membership Requirements as outlined in their 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.

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 since there is no objective basis by which to measure such values. 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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 2 - INVESTMENTS

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

	<u>2006</u>		<u>2005</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 514,879	\$ 514,879	\$ 436,232	\$ 436,232
Commercial paper	492,827	493,508	-	-
Mutual funds - hedge fund	339,958	350,000	345,704	350,000
U.S. Treasury securities	608,513	604,643	1,880,379	1,890,156
U.S. Government agency obligations	2,511,374	2,520,389	469,518	470,101
Corporate debt securities	45,422	46,288	26,000	26,000
Equity securities	9,136,009	7,402,366	8,309,303	7,351,164
Mortgage-backed securities	894,393	899,703	821,026	829,438
	<u>\$ 14,543,375</u>	<u>\$ 12,831,776</u>	<u>\$ 12,288,162</u>	<u>\$ 11,353,091</u>

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

	<u>2006</u>	<u>2005</u>
Return on investments:		
Interest and dividend income	<u>\$ 508,543</u>	<u>\$ 346,958</u>
Gain (loss) on investments:		
Realized gain on sale of investments	208,546	1,782,506
Increase in accumulated unrealized gain (loss) on investments	<u>743,871</u>	<u>(215,834)</u>
Net realized and unrealized gain on investments	<u>952,417</u>	<u>1,566,672</u>
Total return on investments	<u>\$ 1,460,960</u>	<u>\$ 1,913,630</u>

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

	<u>2006</u>	<u>2005</u>
Interest income	\$ 153,691	\$ 94,837
Endowment spending rate	566,000	434,300
Endowment gains, exclusive of spending rate	<u>741,269</u>	<u>1,384,493</u>
Total return on investments	<u>\$ 1,460,960</u>	<u>\$ 1,913,630</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Future year campaign	\$ 1,144	\$ 6,756
Current year campaign	10,159,472	11,001,594
Prior years' campaigns	<u>3,094,351</u>	<u>3,747,089</u>
	13,254,967	14,755,439
Less allowance for uncollectible pledges	<u>2,959,463</u>	<u>3,352,497</u>
Total pledges receivable	<u>\$ 10,295,504</u>	<u>\$ 11,402,942</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 consolidated statements of financial position, as such contributions are restricted for allocations of the future periods.

All pledges receivable are due within one year, with the exception of \$1,144 that is listed as future campaigns in the table above (\$6,756 at December 31, 2005). Those amounts are due within one to five years.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Land	\$ 272,715	\$ 272,715
Building and improvements	1,409,383	1,396,260
Furniture and equipment	<u>1,685,138</u>	<u>1,641,087</u>
	3,367,236	3,310,062
Less accumulated depreciation	<u>2,794,779</u>	<u>2,670,606</u>
Total property and equipment, net	<u>\$ 572,457</u>	<u>\$ 639,456</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 5 - EMPLOYEE RETIREMENT PLANS

The Organization contributes to a defined benefit pension plan covering substantially all of its salaried employees who have completed one year of service and are at least 21 years of age. There are no contributions required to be paid to the plan by the Organization during the next fiscal year. The Organization expects to make a discretionary contribution equal to 2% of eligible salaries in 2007, or approximately \$50,000.

As of December 31, 2006, the Organization adopted the recognition provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"), which requires that the funded status of defined benefit pension and other postretirement plans be fully recognized in the statement of financial position. The incremental effects of applying SFAS No. 158 on individual line items in the statement of financial position as of that date are as follows:

	<u>Before Application of SFAS No. 158</u>	<u>Adjustments</u>	<u>After Application of SFAS No. 158</u>
Pension asset	\$ 633,627	\$ 730,093	\$ 1,363,720
Total assets	33,689,199	730,093	34,419,292
Unrestricted net assets	5,336,768	730,093	6,066,861
Total net assets	21,979,600	730,093	22,709,693

SFAS No. 158 requires that plan assets and obligations be measured at the year end statement of financial position date. The Organization's measurement date has historically been December 31; therefore, there was no additional change in net assets as a result of the adoption of the measurement provisions. The following tables present the plan's funded status, amount previously not recognized in the statement of activity, and the components of net periodic pension cost:

Obligations and funded status	<u>December 31, 2006</u>
Benefit obligation	\$ (3,328,795)
Fair value of plan assets	<u>4,692,515</u>
Net pension assets	<u>\$ 1,363,720</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Obligations and funded status (Continued)	<u>2006</u>
Accumulated benefit obligation	\$ (2,303,112)
Employer contributions	\$ 48,978
Plan participant contributions	\$ -
Annuities purchased or benefits paid (including expense charges)	\$ 30,221

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

Amounts recognized in the statement of activities for the year ended December 31, consist of:

	<u>2006</u>
Net unrealized gain (loss)	\$ 730,093
Prior service cost (credit)	-
Amounts previously not recognized in unrestricted net assets and in periodic pension cost	\$ 730,093

**Other Changes in Plan Assets and Benefit Obligations
Recognized in Changes in Unrestricted Net Assets**

	<u>2006</u>	<u>2005</u>
Service cost	\$ 227,271	\$ 239,238
Interest cost	187,002	175,158
Expected return on plan assets	(354,629)	(336,575)
Recognized actuarial net (gains) losses	(9,435)	(23,044)
Total recognized in net periodic pension cost and unrestricted net assets	\$ 50,209	\$ 54,777

There are currently no amounts of estimated net loss or prior service cost for the defined benefit pension plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year.

UNITED WAY OF MIDDLE TENNESSEE, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

In accordance with SFAS No. 132, the following tables present the plan's change in benefit obligation, change in plan assets, funded status and components of pension (income) expenses recognized in the accompanying financial statements as of and for the years ended December 31:

Change in Benefit Obligation	<u>2006 (1)</u>	<u>2005</u>
Benefit obligation - beginning of year	\$ 3,237,243	\$ 2,759,558
Service cost	227,271	239,238
Interest cost	187,002	175,158
Change in assumptions	(113,971)	153,777
Actuarial (gain) loss	(178,529)	(66,798)
Annuities purchased or benefits paid	(14,435)	(7,731)
Expense charges	<u>(15,786)</u>	<u>(15,959)</u>
Benefit obligation - end of year	<u>\$ 3,328,795</u>	<u>\$ 3,237,243</u>
Change in Plan Assets	<u>2006 (1)</u>	<u>2005</u>
Fair value of assets - beginning of year	\$ 4,205,652	\$ 3,972,325
Actual return (loss) on plan assets	468,106	210,052
Employer contributions	48,978	46,965
Employee contributions	-	-
Annuities purchased or benefits paid (including expense charges)	<u>(30,221)</u>	<u>(23,690)</u>
Fair value of assets - end of year	<u>\$ 4,692,515</u>	<u>\$ 4,205,652</u>
Funded Status	<u>2006 (1)</u>	<u>2005</u>
Benefit obligation	\$ 3,328,795	\$ 3,237,243
Fair value of plan assets	<u>4,692,515</u>	<u>4,205,652</u>
Funded status	1,363,720	968,409
Unrecognized transition (asset) obligation	-	-
Unrecognized net actuarial (gains) losses	<u>(730,093)</u>	<u>(333,551)</u>
Prepaid pension costs - end of year	<u>\$ 633,627</u>	<u>\$ 634,858</u>

(1) Amounts for 2006 are prior to implementation of SFAS No. 158.

UNITED WAY OF MIDDLE TENNESSEE, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

	<u>2006</u>	<u>2005</u>
Discount rate	5.75%	5.75%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	4.25%	4.25%

The expected long-term rate of return on plan assets assumption of 8.5% 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 the fiscal 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 7.62% - 9.76%. A rate near the midpoint of the best estimate range of 8.5% was selected.

At December 31, 2006 (the measurement date), plan assets are invested in separate pooled funds at a life insurance company, with asset class balances summarized as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage of Plan Assets</u>
Equity securities	\$ 2,480,153	52.85 %
Fixed income securities	2,209,762	47.09 %
General account (money market funds)	<u>2,600</u>	<u>0.06 %</u>
	<u>\$ 4,692,515</u>	<u>100.00 %</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

The Organization's investment policy has a target allocation percentage of 60% equity and 40% fixed income. The actual ratio at any particular time is expected to vary somewhat from the guideline ratio. The investment objective for the plan is to achieve an average annual rate of return (net of investment management expense) over a three-to-five year period which exceeds a composite market index comprised of the Standard & Poor's 500 Composite Index, the Lehman Government/Credit Bond Index, and 90-day U.S. Treasury bills. The overall philosophy of the plan is to manage plan assets in a prudent, conservative, yet productive manner, with emphasis on preservation of capital, minimized risk and avoidance of excessive volatility in plan values.

No plan assets are expected to be returned to the Organization in 2007.

The following benefits are expected to be paid:

Year Ending December 31,

2007	\$ 68,000
2008	71,000
2009	116,000
2010	117,000
2011	120,000
2012 - 2016	3,699,000

The Organization also sponsors a Section 403(b) retirement plan. The plan requires the Organization to match 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 the first day of the month following employment. Participants become vested incrementally over three years of service. Total employer contributions were \$51,138 in 2006 (\$51,792 in 2005).

UNITED WAY OF MIDDLE TENNESSEE, INC.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 6 - NET ASSETS

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

	<u>2006</u>	<u>2005</u>
Contributions to support the Restore the Dream fund	\$ 327,043	\$ 294,877
Contributions to support the Behavior risk assessment	10,100	-
Contributions to support the 2-1-1 program	52,327	132,372
Contributions to support the Read to Succeed program	229,546	282,512
Contributions to support the Nashville Youth Opportunities Initiative	13,630	-
Contributions to support allocations and operations of future periods	<u>8,409,581</u>	<u>9,240,371</u>
Total temporarily restricted net assets	<u>\$ 9,042,227</u>	<u>\$ 9,950,132</u>

Permanently restricted net assets at December 31, 2006 and 2005 consist entirely of endowment funds. Income from such endowment funds is unrestricted.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2006</u>	<u>2005</u>
Program services (primarily restricted grants and contributions)	\$ 613,235	\$ 312,651
Passage of time (previous year's campaign pledges to support current year operations)	<u>9,213,975</u>	<u>9,993,686</u>
Total net assets released from restrictions	<u>\$ 9,827,210</u>	<u>\$ 10,306,337</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 8 - GOVERNMENTAL CAMPAIGN

The Organization did not manage the Fall 2005 or 2006 Combined Federal Campaigns. Summarized financial information of the Combined Federal Campaign, which is included in the Organization's financial statements, as of and for the year ended December 31, 2005, follows:

STATEMENT OF FINANCIAL POSITION

Cash	\$ 166,731
Pledges receivable, net of allowance	71,737
Prepaid campaign expenses	<u>-</u>
Total assets	<u>\$ 238,468</u>
Due to United Way	\$ 60,182
Designations payable	<u>178,286</u>
Total liabilities	<u>\$ 238,468</u>

STATEMENT OF ACTIVITIES

Gross campaign revenue	\$ 1,040,502
Less: designations	<u>(1,040,502)</u>
Net campaign revenue	<u>\$ -</u>
Designations to direct service providers	1,040,502
Less: donor designations	<u>(1,040,502)</u>
Net program investment	<u>\$ -</u>
Gross campaign revenue - future campaigns	\$ -
Less: donor designations	<u>-</u>
Net campaign revenue	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 9 - RECONCILIATION OF METROPOLITAN NASHVILLE CAMPAIGN

The following table reconciles total campaign results reported in the Metropolitan Nashville campaign to the total unrestricted campaign results, per the Statement of Activities, of the respective campaigns at December 31:

	<u>2006</u>	<u>2005</u>
Metropolitan Nashville campaign	\$ 17,499,429	\$ 18,831,058
Additional amounts reported on prior campaigns	134,936	87,453
Combined Federal Campaign revenues, net of amounts already recognized in the Metropolitan Nashville campaign	<u>-</u>	<u>927,175</u>
Total unrestricted campaign results	<u>\$ 17,634,365</u>	<u>\$ 19,845,686</u>

NOTE 10 - ADVANCES FROM GRANTORS

During 2006, a portion of the Ryan White grant funds advanced to the Organization were required to be distributed to the subrecipient agency. As of December 31, 2006, \$1,371,712 of such advances had not been expended by the subrecipient and, accordingly, are reported as a receivable by the Organization. This grant period ended March 2007. Those amounts are also included in the Organization's advances from grantors liability account totaling \$2,122,412 at December 31, 2006. The remainder of the account consists of grant funds received, but not yet expended by the Organization.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 11 - SUPPORTING SERVICES

Supporting services costs include management and general, fundraising and marketing, and dues to United Way of America. Those costs are presented in detail in the Statement of Functional Expenses.

During 2003, United Way of America 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 unrestricted revenues. The principal difference in reported total revenues per the financial statements and the Form 990 is the inclusion of donor designations. Form 990 provides for reporting the total campaign results as revenue. The table below details the overhead rate calculation in comparison with unrestricted revenue in the financial statements:

<u>2006</u>	<u>Per Financial Statement</u>	<u>Per Form 990</u>
Total unrestricted support and revenue	\$ 21,166,400	
Plus: Donor designations	<u>5,933,339</u>	
Adjusted total revenue	<u>\$ 27,099,739</u>	<u>\$ 26,139,906</u>
Total supporting services costs	\$ 3,653,034	\$ 3,653,034
Percent of adjusted total revenue	13.5%	14.0%
<u>2005</u>	<u>Per Financial Statement</u>	<u>Per Form 990</u>
Total unrestricted support and revenue	\$ 18,462,525	
Plus: Donor designations	<u>7,875,888</u>	
Adjusted total revenue	<u>\$ 26,338,413</u>	<u>\$ 27,211,945</u>
Total supporting services costs	\$ 3,548,480	\$ 3,548,480
Percent of adjusted total revenue	13.5%	13.0%

Other differences in adjusted total revenue between the financial statements and the Form 990 result from: (1) the endowment gains (losses) exclusive of the spending rate, and the amount of unrealized gains (losses) therein; (2) the service fee income earned on donor designations; and (3) the bad debt allowance on donor designations. Changes in temporarily and permanently restricted net assets per the financial statements are reported on the Form 990 as other changes in net assets and not as revenues in the current year.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 12 - FEDERAL AND STATE CONTRACTS

Expenditures related to federal and state contracts are subject to adjustment based 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.

NOTE 13 - 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. 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.

The Organization maintains cash and investment balances in bank deposit accounts at various financial institutions which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance limits. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NOTE 14 - PENDING ADOPTION OF ACCOUNTING STANDARD

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which is effective for fiscal years beginning after December 15, 2006. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently evaluating the impact, if any, of the adoption of FIN 48 on the financial statements.