UNITED WAY OF
MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
United Way of Middle Tennessee, Inc.
Nashville, Tennessee

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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

KraftCPAs PLLC • Certified Public Accountants and Consultants
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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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2019 on our consideration of United Way of Middle Tennessee, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Middle Tennessee, Inc.'s internal control over financial reporting and compliance.

Kraft CPAs, PLLC

Nashville, Tennessee
June 6, 2019

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash	$ 4,664,982	$ 4,443,788
Pledges receivable, net	9,102,995	9,576,997
Grants receivable	2,250,727	1,459,619
Prepaid and other	83,232	129,703
Investments, at fair value	15,001,589	16,648,521
Property and equipment, net	370,246	379,131
Cash surrender value of donor life insurance policies	603,163	580,580
TOTAL ASSETS	$ 32,076,934	$ 33,218,339
LIABILITIES		
Designations payable	$ 3,289,745	$ 3,492,591
Allocations payable	3,097,635	3,105,859
Grant payments due to subrecipients	939,331	1,041,038
Accounts payable, accrued expenses and other	497,849	630,024
Net pension liability	37,204	4,827
TOTAL LIABILITIES	7,861,764	8,274,339
NET ASSETS		
Without donor restrictions	5,072,731	4,772,814
With donor restrictions	19,142,439	20,171,186
TOTAL NET ASSETS	24,215,170	24,944,000
TOTAL LIABILITIES AND NET ASSETS	$ 32,076,934	$ 33,218,339

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
PUBLIC SUPPORT AND REVENUE			
Gross campaign results - prior year	$ 838,502	$ -	$ 838,502
Gross campaign results - released from restrictions	14,528,767	(14,528,767)	-
Total campaign results - prior year	15,367,269	(14,528,767)	838,502
Less donor designations	(3,749,130)	3,780,149	31,019
Less provision for uncollectible accounts	(835,688)	612,409	(223,279)
Net campaign revenue - prior year	10,782,451	(10,136,209)	646,242
Gross campaign results - current year	-	14,441,664	14,441,664
Less donor designations	-	(3,819,003)	(3,819,003)
Less provision for uncollectible accounts	-	(633,799)	(633,799)
Net campaign revenue - current year	-	9,988,862	9,988,862
Grants	9,336,690	175,000	9,511,690
Other contributions and in-kind contributions	711,993	-	711,993
Designations from other United Way organizations	189,044	-	189,044
Service fees	429,392	-	429,392
Endowment spending rate	497,000	-	497,000
Miscellaneous income	22,590	-	22,590
Non-endowment investment loss	(303,009)	(13,803)	(316,812)
Other net assets released from restrictions	51,975	(51,975)	-
TOTAL SUPPORT AND REVENUE	21,718,126	(38,125)	21,680,001
PROGRAM SERVICES			
Program investments and designations to direct service providers	11,015,491	-	11,015,491
Less: donor designations	(3,749,130)	-	(3,749,130)
Net program investments	7,266,361	-	7,266,361
Community building	1,523,471	-	1,523,471
Grants and initiatives	9,368,746	-	9,368,746
TOTAL PROGRAM SERVICES	18,158,578	-	18,158,578
SUPPORTING SERVICES			
Management and general	1,419,713	-	1,419,713
Fundraising and marketing	1,646,076	-	1,646,076
TOTAL SUPPORTING SERVICES	3,065,789	-	3,065,789
TOTAL COSTS AND EXPENSES	21,224,367	-	21,224,367
Change in net assets before non-operating items	493,759	(38,125)	455,634
Endowment loss, net of endowment spending rate	-	(990,622)	(990,622)
Employee retirement plan loss	(193,842)	-	(193,842)
CHANGE IN NET ASSETS	299,917	(1,028,747)	(728,830)
NET ASSETS - BEGINNING OF YEAR	4,772,814	20,171,186	24,944,000
NET ASSETS - END OF YEAR	$ 5,072,731	$ 19,142,439	$ 24,215,170

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
PUBLIC SUPPORT AND REVENUE			
Gross campaign results - prior year	$ 1,174,149	$ -	$ 1,174,149
Gross campaign results - released from restrictions	13,677,074	(13,677,074)	-
Total campaign results - prior year	14,851,223	(13,677,074)	1,174,149
Less donor designations	(3,923,898)	3,892,699	(31,199)
Less provision for uncollectible accounts	(296,604)	681,827	385,223
Net campaign revenue - prior year	10,630,721	(9,102,548)	1,528,173
Gross campaign results - current year	-	14,528,767	14,528,767
Less donor designations	-	(3,780,149)	(3,780,149)
Less provision for uncollectible accounts	-	(612,409)	(612,409)
Net campaign revenue - current year	-	10,136,209	10,136,209
Grants	8,086,853	7,500	8,094,353
Other contributions and in-kind contributions	698,339	-	698,339
Designations from other United Way organizations	170,753	-	170,753
Service fees	452,174	-	452,174
Endowment spending rate	475,000	-	475,000
Miscellaneous income	24,141	-	24,141
Non-endowment investment income	1,032,535	42,796	1,075,331
Other net assets released from restrictions	216,914	(216,914)	-
TOTAL SUPPORT AND REVENUE	21,787,430	867,043	22,654,473
PROGRAM SERVICES			
Program investments and designations to direct service providers	11,387,585	-	11,387,585
Less: donor designations	(3,923,898)	-	(3,923,898)
Net program investments	7,463,687	-	7,463,687
Community building	1,847,883	-	1,847,883
Grants and initiatives	7,856,972	-	7,856,972
TOTAL PROGRAM SERVICES	17,168,542	-	17,168,542
SUPPORTING SERVICES			
Management and general	1,442,548	-	1,442,548
Fundraising and marketing	1,771,851	-	1,771,851
TOTAL SUPPORTING SERVICES	3,214,399	-	3,214,399
TOTAL COSTS AND EXPENSES	20,382,941	-	20,382,941
Change in net assets before non-operating items	1,404,489	867,043	2,271,532
Endowment gain, net of endowment spending rate	-	1,107,731	1,107,731
Employee retirement plan loss	(19,834)	-	(19,834)
CHANGE IN NET ASSETS	1,384,655	1,974,774	3,359,429
NET ASSETS - BEGINNING OF YEAR	3,388,159	18,196,412	21,584,571
NET ASSETS - END OF YEAR	$ 4,772,814	$ 20,171,186	$ 24,944,000

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			
	Community Building	Grants and Initiatives	Total Program Services	Management and General	Fundraising and Marketing	Total Supporting Services	Total
Salaries	$ 846,002	$ 1,054,937	$ 1,900,939	$ 682,580	$ 1,047,176	$ 1,729,756	$ 3,630,695
Payroll taxes	58,518	77,339	135,857	45,498	69,392	114,890	250,747
Employee benefits	56,920	129,427	186,347	82,764	88,560	171,324	357,671
Total personnel costs	961,440	1,261,703	2,223,143	810,842	1,205,128	2,015,970	4,239,113
Professional and contract fees	53,479	340,315	393,794	312,963	61,752	374,715	768,509
Supplies	4,497	35,578	40,075	23,104	3,908	27,012	67,087
Telephone	20,983	16,471	37,454	18,149	19,753	37,902	75,356
Postage and shipping	4,162	2,950	7,112	4,266	4,503	8,769	15,881
Occupancy	28,906	78,460	107,366	52,810	36,768	89,578	196,944
Maintenance and equipment rental	25,975	22,839	48,814	3,710	62,612	66,322	115,136
Printing and promotional	179,916	57,698	237,614	16,866	74,339	91,205	328,819
Travel	10,617	71,205	81,822	11,345	23,920	35,265	117,087
Events and meetings	40,974	28,784	69,758	19,541	34,775	54,316	124,074
Dues and memberships	108,595	760	109,355	60,464	66,675	127,139	236,494
Miscellaneous	77,203	-	77,203	79,497	43,956	123,453	200,656
Total other operating expenses	555,307	655,060	1,210,367	602,715	432,961	1,035,676	2,246,043
Depreciation of property and equipment	6,724	10,115	16,839	6,156	7,987	14,143	30,982
Total operating expenses	1,523,471	1,926,878	3,450,349	1,419,713	1,646,076	3,065,789	6,516,138
Program grants to direct service providers	-	7,441,868	7,441,868	-	-	-	7,441,868
	$ 1,523,471	$ 9,368,746	10,892,217	$ 1,419,713	$ 1,646,076	$ 3,065,789	13,958,006
Net program investments (shown separately on the statement of activities)			7,266,361				7,266,361
			$ 18,158,578				$ 21,224,367

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			
	Community Building	Grants and Initiatives	Total Program Services	Management and General	Fundraising and Marketing	Total Supporting Services	Total
Salaries	$ 1,105,232	$ 747,434	$ 1,852,666	$ 794,895	$ 1,066,989	$ 1,861,884	$ 3,714,550
Payroll taxes	73,350	55,619	128,969	41,064	70,667	111,731	240,700
Employee benefits	81,362	82,500	163,862	96,038	88,609	184,647	348,509
Total personnel costs	1,259,944	885,553	2,145,497	931,997	1,226,265	2,158,262	4,303,759
Professional and contract fees	88,258	242,290	330,548	235,314	115,543	350,857	681,405
Supplies	10,372	40,202	50,574	5,826	3,658	9,484	60,058
Telephone	16,019	15,359	31,378	17,538	18,905	36,443	67,821
Postage and shipping	5,218	2,444	7,662	6,443	7,533	13,976	21,638
Occupancy	54,698	46,803	101,501	40,418	38,248	78,666	180,167
Maintenance and equipment rental	42,819	4,883	47,702	48,527	67,685	116,212	163,914
Printing and promotional	202,118	71,184	273,302	8,758	127,165	135,923	409,225
Travel	22,373	32,425	54,798	19,537	18,063	37,600	92,398
Events and meetings	37,686	21,963	59,649	14,057	50,648	64,705	124,354
Dues and memberships	87,384	-	87,384	61,811	80,771	142,582	229,966
Miscellaneous	557	-	557	54,296	4,688	58,984	59,541
Total other operating expenses	567,502	477,553	1,045,055	512,525	532,907	1,045,432	2,090,487
Depreciation of property and equipment	20,437	6,594	27,031	(1,974)	12,679	10,705	37,736
Total operating expenses	1,847,883	1,369,700	3,217,583	1,442,548	1,771,851	3,214,399	6,431,982
Program grants to direct service providers	-	6,487,272	6,487,272	-	-	-	6,487,272
	$ 1,847,883	$ 7,856,972	9,704,855	$ 1,442,548	$ 1,771,851	$ 3,214,399	12,919,254
Net program investments (shown separately on the statement of activities)			7,463,687				7,463,687
			$ 17,168,542				$ 20,382,941

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (728,830)	$ 3,359,429
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	30,982	37,736
Realized gain on sale of investments	(583,964)	(1,249,148)
Unrealized (gain) loss on investments	1,652,216	(1,181,510)
(Increase) decrease in assets:		
Pledges receivable	474,002	46,818
Grants receivable	(791,108)	(532,235)
Prepaid and other	46,471	194,594
Cash surrender value of donor life insurance policies	(22,583)	(22,156)
Increase (decrease) in liabilities:		
Designations payable	(202,846)	(221,464)
Allocations payable	(8,224)	(39,239)
Grant payments due to subrecipients	(101,707)	372,431
Accounts payable, accrued expenses and other	(132,175)	62,948
Net pension liability	32,377	(243,088)
TOTAL ADJUSTMENTS	393,441	(2,774,313)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(335,389)	585,116
INVESTING ACTIVITIES		
Purchase of investments	(8,334,254)	(4,128,102)
Proceeds from sale of investments	8,912,934	4,597,159
Purchase of property and equipment	(22,097)	(51,860)
NET CASH PROVIDED BY INVESTING ACTIVITIES	556,583	417,197
NET INCREASE IN CASH	221,194	1,002,313
CASH - BEGINNING OF YEAR	4,443,788	3,441,475
CASH - END OF YEAR	$ 4,664,982	$ 4,443,788

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

United Way of Middle Tennessee, Inc. (d/b/a United Way of Metropolitan Nashville in Davidson County, United Way of Cheatham County in Cheatham County and United Way of Robertson County in Robertson 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 financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, 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 net assets with donor restrictions 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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of money market, equity securities, fixed income mutual funds and 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, Financial Empowerment 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, 2 Gen for TN, the Nashville Alliance for Financial Independence, Financial Empowerment Centers, Restore the Dream and Disaster Relief.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, human resources, finance, information technology and other administrative activities.

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

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Expense	Method of Allocation
Personnel costs	Time and effort
Professional and contract fees	Time and effort
Supplies	Time and effort
Telephone	Full time equivalent
Postage and shipping	Full time equivalent
Occupancy	Full time equivalent
Maintenance and equipment rental	Time and effort
Printing and promotional	Time and effort
Travel	Time and effort
Events and meetings	Time and effort
Dues and memberships	Time and effort
Miscellaneous	Time and effort
Depreciation of property and equipment	Time and effort
Program grants to direct service providers	Direct costs

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (level 1) 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.

Alternative Investments - A portion of the Organization's portfolio of investments (level 3) consists of private securities (limited partnership and hedge fund) which are in inactively traded markets. These securities are reported at the net asset value (or its equivalent) of the Organization's share in the fund as calculated in the fund's audited financial statements, which approximates fair value. Non-traditional and alternative investment value reflects the most current data provided as of December 31, 2018 and 2017, respectively.

Employee Retirement Plan Investments - Assets valued at the purchase or redemption price of the units of participation, based on the formula in the contract. The quoted market prices of the underlying securities comprising such accounts are first determined and then adjusted to apply the expense factor disclosed in the annuity contract. The unit value is determined by dividing the net assets by the number of units outstanding.

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.

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 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. Included in printing and promotional expense is an allocated value of donated media of $130,793 in 2018 and $142,358 in 2017, respectively. This donated media is the result of relationships maintained by United Way Worldwide ("UWW") with the National Football League and Ad Council who promote the work of United Way and its volunteers in local communities.

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 value volunteer time has been recorded 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

The Organization files a U.S. Federal Form 990 for organizations exempt from income tax and a U.S. Federal Form 990-T for organizations exempt from income tax with unrelated business income. Income tax expense relates to operations that result in unrelated business income. In addition, the Organization files an income tax return in the State of Tennessee.

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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Authoritative Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation. The effects of such reclassifications have no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2018 and June 6, 2019, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	$ 4,664,982
Pledges receivable	9,102,995
Grants receivable	2,250,727
Operating investments	4,466,261
Endowment spending-rate distribution and appropriations	525,000
Purpose donor restricted contributions	(516,965)
Designations payable	(3,289,745)
	$17,203,255

NOTE 2 - AVAILABILITY AND LIQUIDITY (CONTINUED)

The Organization has both board designated and donor restricted assets. With the exception of designations payable and purpose donor restricted contributions, the donor restricted assets aren't limited to use and are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Organization has unappropriated gains on an endowment, inclusive of the corpus. Five percent of a three-year rolling quarterly average balance of the restricted endowment and board directed investment has been included within the organization's financial assets, as it is for use against operating expenditures and liquidity.

The Organization has an operating reserve fund within the Investments on the Statement of Financial Position. The purpose of the fund is to help ensure the long-term financial stability of the Organization and position it to respond to varying economic conditions, man-made or natural disasters or changes affecting the Organization's financial position, as well as providing the organization the ability to continuously carry out the mission. The target amount to be attained and maintained is 3 months of annual operating expenditures, inclusive of Outcome Based Investment funding, but excluding grant sub-recipient and other grant related funding. As of December 31, 2018, the balance of this fund was $4,466,261. This fund, established by the Board of Trustees may be drawn upon, if necessary, to meet unexpected needs or board designated funding.

In addition, the Organization receives funding from various grants, many of which are reimbursement based. These grants are only included in the qualitative information to the extent expenditures have been incurred for which the Organization has not been reimbursed.

NOTE 3 - CONCENTRATION OF CREDIT RISK

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

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

NOTE 4 - 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:

	2018			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments:				
Short-term investments	$ 79,804	$ -	$ -	$ 79,804
Equity securities:				
Large Cap funds	6,613,711	-	-	6,613,711
Mid Cap funds	1,007,938	-	-	1,007,938
Small Cap funds	869,399	-	-	869,399
International funds	1,745,527	-	-	1,745,527
Fixed income mutual funds	4,014,819	-	-	4,014,819
Total investments in the fair value hierarchy	14,331,198	-	-	14,331,198
Investments measured at net asset value (a)				
Alternative investments				670,391
Total investments at fair value	$ 14,331,198	$ -	$ -	$ 15,001,589

	2017			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments:				
Short-term investments	$ 182,940	$ -	$ -	$ 182,940
Equity securities:				
Large Cap funds	7,313,469	-	-	7,313,469
Mid Cap funds	809,338	-	-	809,338
Small Cap funds	742,737	-	-	742,737
International funds	3,241,956	-	-	3,241,956
Fixed income mutual funds	3,397,913	-	-	3,397,913
Total investments in the fair value hierarchy	15,688,353	-	-	15,688,353
Investments measured at net asset value (a)				
Alternative investments				960,168
Total investments at fair value	$ 15,688,353	$ -	$ -	$ 16,648,521

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

(a) *In accordance with Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or the equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amount presented in this table are intended to permit reconciliation of the fair value hierarch to the amounts presented in the statement of financial position.*

Fair value of investments in certain entities that calculate net asset values per share (or its equivalent) are as follows:

Investment	Fair Value at December 31, 2018	Fair Value at December 31, 2017	Unfunded Commitment at December 31, 2018	Redemption Frequency	Redemption Notice Period
Pine Grove Alternative Institutional Fund	$ 429,878	$ 477,858	$ -	Quarterly	95 days
Voyager Partners Offshore LTD	$ 240,513	$ 482,310	$ -	Quarterly	95 days

The unobservable inputs of the underlying securities in the funds include appraisals based on the closing value, the mean between bid and ask, or a matrix on interest rates for similar securities.

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.

NOTE 5 - INVESTMENTS

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

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$ 79,804	$ 79,804	$ 182,940	$ 182,940
Equity securities	10,236,575	8,045,552	12,107,500	8,342,298
Fixed income mutual funds	4,014,819	4,060,362	3,397,913	3,342,734
Alternative investments	-	701,100	960,168	1,000,000
	$ 14,331,198	$ 12,886,818	$ 16,648,521	$ 12,867,972

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

	2018	2017
Non-endowment investment income (loss)	$ (316,812)	$ 1,075,331
Endowment spending rate	497,000	475,000
Endowment gain (loss), net of endowment spending rate	(990,622)	1,107,731
Total return on investments	$ (810,434)	$ 2,658,062

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	2018	2017
Current year campaign	$ 8,899,561	$ 9,407,095
Prior years' campaigns	2,435,272	2,186,358
	11,334,833	11,593,453
Less allowance for uncollectible pledges:		
Current year campaign	792,847	773,855
Prior years' campaigns	1,438,991	1,242,601
	2,231,838	2,016,456
Total pledges receivable	$ 9,102,995	$ 9,576,997

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

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Land	$ 272,715	$ 272,715
Building and improvements	1,673,865	1,670,661
Furniture and equipment	1,336,336	1,331,232
	3,282,916	3,274,608
Less accumulated depreciation	2,912,670	2,895,477
Total property and equipment, net	$ 370,246	$ 379,131

NOTE 8 - 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 $85,315 in 2018 ($72,507 in 2017).

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. In November 2018, the Board of Trustees elected to begin the process to terminate the Plan. The expected timeline for final termination is July 2020.

The following tables present the Plan's funded status and the accumulated benefit obligation as of and for the years ended December 31:

	2018	2017
Benefit obligation	$ (2,389,131)	$ (2,507,263)
Fair value of plan assets	2,351,927	2,502,436
Net pension liability - end of year	$ (37,204)	$ (4,827)

The entire balance of the net pension liability is included on the statement of financial position.

NOTE 8 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Amounts recognized as non-operating items in the statement of activities consisted of the following for the years ended December 31:

	2018	2017
Loss recognized due to settlement	$ 180,747	$ -
Net loss previously not recognized in unrestricted net assets and in periodic pension cost	13,095	19,834
Total employee retirement plan loss	$ 193,842	$ 19,834

The following tables present the Plan's change in benefit obligations, changes in plan assets and funded status recognized in the accompanying financial statements as of and for the years ended December 31:

	2018	2017
Benefit obligation - beginning of year	$ 2,507,263	$ 2,367,766
Service cost	8,950	8,580
Interest cost	82,887	87,905
Change in assumptions	34,626	101,663
Actuarial loss	176,650	5,793
Benefits paid (including expense charges)	(421,245)	(64,444)
Benefit obligation - end of year	$ 2,389,131	$ 2,507,263
Fair value of plan assets - beginning of year	$ 2,502,436	$ 2,119,851
Actual return on plan assets	(45,134)	182,905
Employer contributions	315,870	264,124
Benefits paid (including expense charges)	(421,245)	(64,444)
Fair value of plan assets - end of year	$ 2,351,927	$ 2,502,436

NOTE 8 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

Investment	Fair Value at December 31, 2018	Fair Value at December 31, 2017	Unfunded Commitment*	Redemption Frequency*	Redemption Notice Period*
Conservative Allocation Fund	$ 2,351,927	$ 2,502,436	$ -	Immediate	30 days

*Information noted in these columns is the same for each investment type for 2018 and 2017.

Significant investment strategies for the Conservative Allocation Fund include investment choices that seek the realization of current income to the extent consistent with the maintenance of liquidity, investment quality and stability of capital through investment in money market instruments and other short-term securities. Over the long term, the Organization's plan investment policy has a target allocation percentage of 35% equity and 65% fixed income. At December 31, 2018, the plan assets by category were 29% bond fund, 34% mid-term bond fund, 27% equity index fund, 5% mid-cap equity index fund, and 5% international fund.

The following table summarizes the pension benefits expected to be paid over the next ten fiscal years ending:

December 31,	
2019	$ 603,000
2020	18,000
2021	213,000
2022	99,000
2023	1,000
2024-2028	651,000
	$ 1,585,000

The following table summarizes the Organization's net periodic pension costs for the years ended December 31:

	2018	2017
Service cost	$ 8,950	$ 8,580
Interest cost	82,887	87,905
Expected return on plan assets	(159,353)	(133,182)
Actuarial losses recognized	41,174	37,899
Total recognized in net periodic pension cost	$ (26,342)	$ 1,202

NOTE 8 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

The estimated effect on net assets for items not yet reflected in net periodic benefit costs are as follows:

	January 1, 2019	Estimated Amounts to be Reclassed as Net Periodic Benefit Cost
Transition obligation	$ -	$ -
Prior service cost	-	-
Net loss	1,047,387	62,047
	$ 1,047,387	$ 62,047

The following weighted average assumptions were used to determine the net periodic benefit costs as of December 31:

	2018	2017
Discount rate	3.30%	3.75%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase	0.00%	0.00%

Assumptions used to determine pre-retirement discount rate as of December 31:

	2018	2017
Discount rate	3.85%	3.30%

The expected long-term rate of return on plan assets assumption of 6.0% as of December 31, 2018 and 2017 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 the inflation based on the Organization’s historic 30-year period rolling averages. The rate is reviewed annually and adjusted as appropriate to reflect changes in the expected long-term market performance or in the targeted asset allocation ranges.

NOTE 9 - 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.

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 net assets with donor restrictions (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. 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.

NOTE 9 - 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.

NOTE 9 - ENDOWMENT FUNDS (CONTINUED)

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

	2018		
	Board Designated Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Endowment net assets, January 1	$ 1,671,275	$ 9,684,884	$ 11,356,159
Contributions	-	-	-
Investment income	31,503	181,080	212,583
Investment fees	(6,362)	(36,294)	(42,656)
Net depreciation (realized and unrealized)	(114,592)	(638,407)	(752,999)
Amounts appropriated for expenditure	-	(497,000)	(497,000)
Endowment net assets, December 31	$ 1,581,823	$ 8,694,263	$ 10,276,086

	2017		
	Board Designated Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Endowment net assets, January 1	$ 1,409,968	$ 8,577,152	$ 9,987,120
Contributions	323	-	323
Investment income	27,930	168,260	196,190
Investment fees	(5,783)	(35,464)	(41,247)
Net appreciation (realized and unrealized)	238,837	1,449,936	1,688,773
Amounts appropriated for expenditure	-	(475,000)	(475,000)
Endowment net assets, December 31	$ 1,671,275	$ 9,684,884	$ 11,356,159

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
Passage of time restrictions:		
Contributions to support allocations and operations of future periods	$ 9,931,211	$ 10,045,336
Deferred revenue for future campaigns, net of designations	-	39,091
Total passage of time restrictions	9,931,211	10,084,427
Specific purpose restrictions:		
Contributions to support the Restore the Dream fund	261,725	275,528
Imagination library	105,240	126,347
Salesforce Philanthropy Cloud	150,000	-
Total purpose restrictions	516,965	401,875
Endowments:		
Endowment corpus	7,600,605	7,600,605
Net unappropriated gains on endowment corpus, since inception	1,093,658	2,084,279
Total Endowments	8,694,263	9,684,884
Net assets with donor restrictions	$ 19,142,439	$ 20,171,186

NOTE 11 - OPERATING LEASES

The Organization is obligated on noncancelable operating leases for various office equipment that expire at various dates through December 2019. Total rental expense in the amount of $64,114 was incurred for the year ended December 31, 2018 ($51,040 for the year ended December 31, 2017).

Future minimum lease payments required under all noncancelable leases will be $38,573 in 2019.

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, 2018:

	Statement of Activities
Total support and revenue	$ 21,680,001
Plus:	
Donor designations	3,787,984
Unrealized loss on investments, net	1,652,216
Less:	
Donated services	(130,793)
Employee retirement plan loss	(193,842)
Endowment losses, exclusive of spending rate	(990,622)
Adjusted total revenue per Form 990	$ 25,804,944
Total supporting services costs	$ 3,065,789
Percent of adjusted total revenue	11.88%

OTHER INFORMATION

UNITED WAY OF MIDDLE TENNESSEE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

	FEDERAL CFDA NUMBER		GRANTOR'S NUMBER	GRANT PERIOD	(ACCRUED) DEFERRED REVENUE 1/1/2018	1/1/18 - 12/31/18 RECEIPTS	1/1/18 - 12/31/18 EXPENDITURES	(ACCRUED) DEFERRED REVENUE 12/31/2018	PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Treasury									
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009		17VITA0283	8/1/17-7/31/18	$ (55,356)	$ 189,475	$ 134,119	$ -	$ 30,151
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009		19VITA0088	8/1/18-7/31/20	-	-	48,991	(48,991)	-
Total CFDA 21.009					(55,356)	189,475	183,110	(48,991)	30,151
U.S. Department of Health and Human Services									
Passed Through Tennessee Department of Health:									
Provision of Ryan White Consortia Services	93.917		GR-17-52405-02	1/1/17-12/31/17	(959,702)	959,702	-	-	-
Provision of Ryan White Consortia Services	93.917		GR-18-57012-01	1/1/18-3/31/19	-	4,416,467	5,663,005	(1,246,538)	5,003,185
Technical Assistance	93.917		GR-17-52405-02	1/1/17-12/31/17	(6,682)	6,682	-	-	-
Technical Assistance	93.917		GR-18-57012-01	1/1/18-3/31/19	-	80,549	90,390	(9,841)	-
Total CFDA 93.917					(966,384)	5,463,400	5,753,395	(1,256,379)	5,003,185
HIV Prevention Activities-Health Department Based HIV Prevention Grant	93.940	*	GR-17-52405-02	1/1/17-12/31/17	(147,920)	147,920	-	-	-
HIV Prevention Activities-Health Department Based HIV Prevention Grant	93.940	*	GR-18-57012-01	1/1/18-12/31/18	-	592,847	772,958	(180,111)	648,528
Total CFDA 93.940					(147,920)	740,767	772,958	(180,111)	648,528
2Gen for TN Grant - Two Generational Approach	93.558	*	02-16-17GR	5/15/17-6/30/19	(106,473)	808,565	889,036	(186,944)	464,211
2Gen for TN Grant - Two Generation Services	93.558	*	06-21-18GR	10/1/18-9/30/20	-	-	250,808	(250,808)	211,768
Total CFDA 93.558					(106,473)	808,565	1,139,844	(437,752)	675,979
Total Passed Through Tennessee Department of Health					(1,220,777)	7,012,732	7,666,197	(1,874,242)	6,327,692
TOTAL EXPENDITURES OF FEDERAL AWARDS					$ (1,276,133)	$ 7,202,207	$ 7,849,307	$ (1,923,233)	$ 6,357,843

*Considered a major program under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* .

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity, of the Organization and is presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The organization has elected not to use the 10-percent de minims indirect cost rate as allowed under the Uniform Guidance.

OTHER REPORTS

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

To the Board of Trustees
United Way of Middle Tennessee, Inc.
Nashville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the United Way of Middle Tennessee, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated June 6, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Kraft CPAs PLLC

Nashville, Tennessee
June 6, 2019

KraftCPAs PLLC

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

To the Board of Trustees
United Way of Middle Tennessee, Inc.
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited United Way of Middle Tennessee, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, United Way of Middle Tennessee, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Kraft CPAs, PLLC

Nashville, Tennessee
June 6, 2019

UNITED WAY OF MIDDLE TENNESSEE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	________ yes	___x___ no
• Significant deficiency(ies) identified?	________ yes	___x___ none reported
Noncompliance material to financial statements noted?	________ yes	___x___ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	________ yes	___x___ no
• Significant deficiency(ies) identified?	________ yes	___x___ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	________ yes	___x___ no

Identification of major programs:

CFDA Number(s)	***Name of Federal Program or Cluster***
93.940	HIV Prevention Activities-Health Department Based HIV Prevention Grant
93.558	DHS 2Gen for TN

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	___x___ yes	________ no

UNITED WAY OF MIDDLE TENNESSEE, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Financial Statement Findings:

Finding Number	Finding Title	Status

There were no prior year findings reported.

Federal Award Findings and Questioned Costs:

Finding Number	Finding Title	Status

There were no prior year findings reported.