

UNITED WAY OF
MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2009 AND 2008

UNITED WAY OF MIDDLE TENNESSEE, INC.

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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. (the "Organization") as of December 31, 2009 and 2008, 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. as of December 31, 2009 and 2008, 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.

KraftCPAs PLLC

Nashville, Tennessee
August 3, 2010

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 6,431,780	\$ 6,839,433
Investments, at fair value - Note 3 and 4	10,515,376	9,710,299
Pledges receivable, net - Note 5	6,724,543	8,770,835
Grants receivable	1,168,123	1,334,404
Other receivable	8,342	97,960
Prepaid expenses	21,054	64,975
Property and equipment, net - Note 6	483,432	508,387
Net pension assets - Note 7	965,183	51,685
Cash surrender value of donated life insurance policies - Note 3	<u>1,003,347</u>	<u>932,366</u>
TOTAL ASSETS	<u>\$ 27,321,180</u>	<u>\$ 28,310,344</u>
LIABILITIES		
Designations payable	\$ 3,369,692	\$ 4,080,624
Allocations payable	3,586,250	3,689,070
Grant payments due to subrecipients	1,173,467	1,178,427
Advances from grantors	19,098	28,978
Accounts payable and accrued expenses	<u>519,847</u>	<u>539,464</u>
TOTAL LIABILITIES	<u>8,668,354</u>	<u>9,516,563</u>
COMMITMENTS AND CONTINGENCIES - Note 13		
NET ASSETS		
Unrestricted	2,146,098	485,046
Temporarily restricted - Note 9	8,906,123	10,708,130
Permanently restricted - Note 8	<u>7,600,605</u>	<u>7,600,605</u>
TOTAL NET ASSETS	<u>18,652,826</u>	<u>18,793,781</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,321,180</u>	<u>\$ 28,310,344</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - 2008/2009	\$ 4,247,990	\$ -	\$ -	\$ 4,247,990
Gross campaign results - released from restrictions	11,715,255	(11,715,255)	-	-
Total campaign results - 2008/2009	15,963,245	(11,715,255)	-	4,247,990
Less donor designations	(4,681,608)	2,959,533	-	(1,722,075)
Less provision for uncollectible accounts	(243,519)	612,902	-	369,383
Net campaign revenue - 2008/2009	11,038,118	(8,142,820)	-	2,895,298
Gross campaign results - 2009/2010 ⁽¹⁾	-	8,741,510	-	8,741,510
Less donor designations	-	(2,884,205)	-	(2,884,205)
Less provision for uncollectible accounts	-	(420,916)	-	(420,916)
Net campaign revenue - 2009/2010	-	5,436,389	-	5,436,389
Other contributions	102,448	398,013	-	500,461
Government grants	5,853,745	-	-	5,853,745
Designations from other United Way organizations	125,322	-	-	125,322
Service fees	341,621	-	-	341,621
Endowment spending rate - Note 4	630,000	-	-	630,000
Interest income - Note 4	5,655	-	-	5,655
Miscellaneous income	255,106	-	-	255,106
Unrealized gain on temporarily restricted securities non-endowment	-	39,888	-	39,888
Other net assets released from restrictions - Note 10	298,666	(298,666)	-	-
TOTAL SUPPORT AND REVENUE	18,650,681	(2,567,196)	-	16,083,485
PROGRAM SERVICES				
Program investments and designations to direct service providers	12,163,456	-	-	12,163,456
Less: donor designations	(4,681,608)	-	-	(4,681,608)
Net program investments	7,481,848	-	-	7,481,848
Community building	659,689	-	-	659,689
Grants and initiatives	6,275,119	-	-	6,275,119
TOTAL PROGRAM SERVICES	14,416,656	-	-	14,416,656
SUPPORTING SERVICES				
Management and general	1,332,687	-	-	1,332,687
Fundraising and marketing	2,153,276	-	-	2,153,276
TOTAL SUPPORTING SERVICES	3,485,963	-	-	3,485,963
TOTAL COSTS AND EXPENSES	17,902,619	-	-	17,902,619
Change in net assets before non-operating items	748,062	(2,567,196)	-	(1,819,134)
Endowment gains, exclusive of spending rate - Note 4	-	765,189	-	765,189
Employee retirement plan gain - Note 7	912,990	-	-	912,990
CHANGE IN NET ASSETS	1,661,052	(1,802,007)	-	(140,955)
NET ASSETS - BEGINNING OF YEAR	485,046	10,708,130	7,600,605	18,793,781
NET ASSETS - END OF YEAR	\$ 2,146,098	\$ 8,906,123	\$ 7,600,605	\$ 18,652,826

⁽¹⁾ Includes \$1,481 for future campaigns, less \$156,950 recognized in prior year.

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - 2007/2008	\$ 5,485,338	\$ -	\$ -	\$ 5,485,338
Gross campaign results - released from restrictions	11,728,191	(11,728,191)	-	-
Total campaign results - 2007/2008	17,213,529	(11,728,191)	-	5,485,338
Less donor designations	(5,163,010)	3,302,436	-	(1,860,574)
Less provision for uncollectible accounts	(714,931)	509,560	-	(205,371)
Net campaign revenue - 2007/2008	11,335,588	(7,916,195)	-	3,419,393
Gross campaign results - 2008/2009 ⁽¹⁾	-	11,872,205	-	11,872,205
Less donor designations	-	(2,959,533)	-	(2,959,533)
Less provision for uncollectible accounts	-	(612,902)	-	(612,902)
Net campaign revenue - 2008/2009	-	8,299,770	-	8,299,770
Other contributions	166,913	298,668	-	465,581
Government grants	7,869,390	-	-	7,869,390
Designations from other United Way organizations	128,430	-	-	128,430
Service fees	344,884	-	-	344,884
Endowment spending rate - Note 4	620,000	-	-	620,000
Interest income - Note 4	88,006	-	-	88,006
Miscellaneous income	251,346	-	-	251,346
Unrealized loss on temporarily restricted securities non-endowment	-	(85,441)	-	(85,441)
Repayments on grant revenue received but unexpended	-	(10,100)	-	(10,100)
Other net assets released from restrictions - Note 10	510,984	(510,984)	-	-
TOTAL SUPPORT AND REVENUE	21,315,541	75,718	-	21,391,259
PROGRAM SERVICES				
Program investments and designations to direct service providers	13,039,002	-	-	13,039,002
Less: donor designations	(5,163,010)	-	-	(5,163,010)
Net program investments	7,875,992	-	-	7,875,992
Community building	695,701	-	-	695,701
Grants and initiatives	8,549,642	-	-	8,549,642
TOTAL PROGRAM SERVICES	17,121,335	-	-	17,121,335
SUPPORTING SERVICES				
Management and general	1,269,533	-	-	1,269,533
Fundraising and marketing	2,598,055	-	-	2,598,055
TOTAL SUPPORTING SERVICES	3,867,588	-	-	3,867,588
TOTAL COSTS AND EXPENSES	20,988,923	-	-	20,988,923
Change in net assets before non-operating items	326,618	75,718	-	402,336
Endowment losses, exclusive of spending rate - Note 4	-	(3,805,044)	-	(3,805,044)
Employee retirement plan loss - Note 7	(1,501,064)	-	-	(1,501,064)
CHANGE IN NET ASSETS	(1,174,446)	(3,729,326)	-	(4,903,772)
NET ASSETS - BEGINNING OF YEAR	1,659,492	14,437,456	7,600,605	23,697,553
NET ASSETS - END OF YEAR	\$ 485,046	\$ 10,708,130	\$ 7,600,605	\$ 18,793,781

⁽¹⁾ Includes \$156,950 for future campaigns, less \$2,200 recognized in prior year.

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	\$ 400,805	\$ 317,200	\$ 718,005
Payroll taxes	28,429	23,735	52,164
Employee benefits	46,783	35,722	82,505
Total personnel costs	476,017	376,657	852,674
Professional and contract fees	14,754	164,141	178,895
Supplies	1,699	6,621	8,320
Telephone	5,111	3,260	8,371
Postage and shipping	5,494	2,649	8,143
Occupancy	25,118	11,797	36,915
Maintenance and equipment rental	43,966	9,942	53,908
Printing and promotional	6,188	118,691	124,879
Travel	4,797	9,968	14,765
Conferences, conventions, and meetings	7,913	6,156	14,069
Dues and subscriptions	49,905	80	49,985
Miscellaneous		1,290	1,290
Planned giving premium expense	-	-	-
Total other operating expenses	164,945	334,595	499,540
Depreciation of property and equipment	18,727	8,052	26,779
Total operating expenses	659,689	719,304	1,378,993
Program grants to direct service providers	-	5,555,815	5,555,815
	<u>\$ 659,689</u>	<u>\$ 6,275,119</u>	6,934,808
Net program investments (shown separately on the Statement of Activities)			<u>7,481,848</u>
			<u>\$ 14,416,656</u>

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising and Marketing	Total Supporting Services	Total
\$ 630,020	\$ 1,194,791	\$ 1,824,811	\$ 2,542,816
42,485	84,455	126,940	179,104
<u>71,842</u>	<u>134,186</u>	<u>206,028</u>	<u>288,533</u>
744,347	1,413,432	2,157,779	3,010,453
271,179	50,627	321,806	500,701
10,806	3,475	14,281	22,601
9,675	13,038	22,713	31,084
8,237	9,758	17,995	26,138
71,992	55,648	127,640	164,555
43,045	68,327	111,372	165,280
8,697	362,606	371,303	496,182
19,433	18,545	37,978	52,743
22,380	45,413	67,793	81,862
73,943	69,817	143,760	193,745
23,855	970	24,825	26,115
<u>7,415</u>	<u>-</u>	<u>7,415</u>	<u>7,415</u>
570,657	698,224	1,268,881	1,768,421
<u>17,683</u>	<u>41,620</u>	<u>59,303</u>	<u>86,082</u>
1,332,687	2,153,276	3,485,963	4,864,956
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,555,815</u>
<u>\$ 1,332,687</u>	<u>\$ 2,153,276</u>	3,485,963	10,420,771
		<u>-</u>	<u>7,481,848</u>
		<u>\$ 3,485,963</u>	<u>\$ 17,902,619</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	\$ 460,669	\$ 365,432	\$ 826,101
Payroll taxes	33,383	27,215	60,598
Employee benefits	50,021	35,312	85,333
Total personnel costs	544,073	427,959	972,032
Professional and contract fees	12,181	399,139	411,320
Supplies	693	8,168	8,861
Telephone	3,396	3,202	6,598
Postage and shipping	6,238	5,137	11,375
Occupancy	20,066	20,916	40,982
Maintenance and equipment rental	25,509	19,639	45,148
Printing and promotional	6,411	111,426	117,837
Travel	2,999	11,274	14,273
Conferences, conventions, and meetings	4,994	5,681	10,675
Dues and subscriptions	53,905	509	54,414
Miscellaneous	-	1,078	1,078
Planned giving premium expense	-	-	-
Total other operating expenses	136,392	586,169	722,561
Depreciation of property and equipment	15,236	15,881	31,117
Total operating expenses	695,701	1,030,009	1,725,710
Program grants to direct service providers	-	7,519,633	7,519,633
	<u>\$ 695,701</u>	<u>\$ 8,549,642</u>	9,245,343
Net program investments (shown separately on the Statement of Activities)			<u>7,875,992</u>
			<u>\$ 17,121,335</u>

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising and Marketing	Total Supporting Services	Total
\$ 621,264	\$ 1,284,512	\$ 1,905,776	\$ 2,731,877
45,712	89,912	135,624	196,222
68,263	137,123	205,386	290,719
735,239	1,511,547	2,246,786	3,218,818
205,394	26,223	231,617	642,937
2,435	1,835	4,270	13,131
7,990	9,931	17,921	24,519
13,756	16,437	30,193	41,568
47,529	58,745	106,274	147,256
95,402	54,591	149,993	195,141
6,149	662,723	668,872	786,709
16,575	17,019	33,594	47,867
3,282	115,724	119,006	129,681
66,540	78,983	145,523	199,937
35,111	109	35,220	36,298
5,497	-	5,497	5,497
505,660	1,042,320	1,547,980	2,270,541
28,634	44,188	72,822	103,939
1,269,533	2,598,055	3,867,588	5,593,298
-	-	-	7,519,633
\$ 1,269,533	\$ 2,598,055	3,867,588	13,112,931
		-	7,875,992
		\$ 3,867,588	\$ 20,988,923

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (140,955)	\$ (4,903,772)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	86,082	103,939
Realized (gain) loss on sale of investments	(44,627)	1,486,987
Unrealized (gain) loss on investments	(1,009,623)	2,179,163
(Increase) decrease in assets:		
Pledges receivable	2,046,292	160,780
Grant receivable	166,281	796,589
Prepaid expenses and other receivable	133,539	(76,159)
Net pension assets	(913,498)	1,416,695
Cash surrender value of donated life insurance policies	(70,981)	(36,188)
Increase (decrease) in liabilities:		
Designations, allocations and grant payments due to subrecipients	(818,712)	(792,074)
Advances from grantors	(9,880)	12,021
Accounts payable and accrued expenses	(19,617)	193,764
TOTAL ADJUSTMENTS	(454,744)	5,445,517
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(595,699)	541,745
INVESTING ACTIVITIES		
Purchase of investments	(30,805,277)	(25,358,614)
Proceeds from sale of investments	31,054,450	25,582,948
Purchase of property and equipment	(61,127)	(42,941)
NET CASH PROVIDED BY INVESTING ACTIVITIES	188,046	181,393
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(407,653)	723,138
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,839,433	6,116,295
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,431,780</u>	<u>\$ 6,839,433</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

United Way of Middle Tennessee, Inc. (d/b/a United Way of Metropolitan Nashville in Davidson County and United Way of Cheatham County in Cheatham County) (the "Organization" or "United Way") presents its financial statements in accordance with 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 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 accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a Replacement of FASB Statement No. 162*. This statement modifies the Generally Accepted Accounting Principles ("GAAP") hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (the "ASC" or "Codification") is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission. Nonauthoritative guidance and literature include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issues Papers and Technical Practice Aids, and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance.

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 beginning in the third quarter 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 three-year historical average write-off percentage, adjusted by management estimates of current economic factors, applied to gross campaign including donor designations.

Campaign support pledged is recognized as an increase in temporarily restricted net assets until the year of investment. All contributions are considered available for use as approved by the Board of Trustees unless specifically restricted or designated by the donor. Campaign pledges designated by donors to specific agencies or other United Way organizations are considered to be agency-type transactions and are 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 member organization by distributing a proportionate share of receipts based on donor designations to each organization.

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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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Pledges Receivable, Campaign Expenses, and Program Investments (Continued)

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 under liabilities. 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 under assets as refundable advances to the subrecipients.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks and money market funds with original maturities when purchased of 90 days or less.

Investments

Investments consist of money market, mutual funds, equity securities and fixed income securities and are carried at the quoted fair market value of the securities on the last business day of the reporting period. Net realized and unrealized gains and losses are reported in the statement of activities. 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 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 range thirty years for buildings and three to five years for the majority of building improvements and equipment.

UNITED WAY OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

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

Program Services:

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

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.

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.

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, the Nashville Alliance for Financial Independence and Teacher Effectiveness.

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, budgeting, 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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Fair Value Measurements

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quotes prices for identical assets or liabilities in active markets for that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quotes prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and reflect an organization's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 (excluding U.S. Treasury securities, debt obligations and mortgage-backed securities) 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.

Cash Surrender Value of Donated Life Insurance - Cash surrender value of life insurance is reported at fair value using Level 2 inputs. The Organization obtains valuations from the insurance broker based on the value of the policy if it were converted to cash as of the valuation date.

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

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

Service Fees

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

Printing and Promotional

Advertising costs are expensed as incurred. Advertising expense in the amount of \$496,182 was incurred for the year ended December 31, 2009 (\$786,709 for the year ended December 31, 2008).

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and In-Kind Contributions

A large number of volunteers donate substantial amounts of time toward the annual campaign and the various community activities; however, no values for in-kind amounts have been included in the financial statements 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.

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

Use of Estimates

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

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2009 and August 3, 2010, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, various grants, pledges receivable and investments. The Organization's cash deposits are with financial institutions, investment companies and trusts and may at times exceed federal insured amounts. 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 balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. FDIC coverage has been increased from \$100,000 to \$250,000 per depositor through December 31, 2013. The Organization's cash accounts are with a financial institution that participates in the FDIC's Transaction Account Guarantee Program that has been extended through June 30, 2010. Under this program, the Organization's non-interest bearing accounts were fully insured as of December 31, 2009.

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 \$124.5 million of insurance through Lloyd's of London. Accounts held by a trust are covered by error and omissions insurance up to the full amount invested. The SIPC and additional insurance protection do not insure against market risk.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 3 - FAIR VALUE MEASUREMENTS

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

	2009		
	Level 1 Inputs	Level 2 Inputs	Total
Investments:			
Short-term investments	\$ 373,090	\$ -	\$ 373,090
Equity securities:			
Large Cap funds	4,140,757	-	4,140,757
Mid Cap funds	938,702	-	938,702
Small Cap funds	630,513	-	630,513
International funds	909,141	-	909,141
Fixed income mutual funds	3,272,608	-	3,272,608
Commodity fund	250,565	-	250,565
Cash surrender value of donated life insurance	-	1,003,347	1,003,347
Total	<u>\$ 10,515,376</u>	<u>\$ 1,003,347</u>	<u>\$ 11,518,723</u>
	2008		
	Level 1 Inputs	Level 2 Inputs	Total
Investments:			
Short-term investments	\$ 171,050	\$ -	\$ 171,050
U.S. Treasury securities	-	1,195,146	1,195,146
U.S. Government agency obligations	-	1,575,054	1,575,054
Equity securities	4,994,653	-	4,994,653
Mortgage-backed securities	-	1,774,396	1,774,396
Cash surrender value of donated life insurance	-	932,366	932,366
Total	<u>\$ 5,165,703</u>	<u>\$ 5,476,962</u>	<u>\$ 10,642,665</u>

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

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 4 - INVESTMENTS

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

	<u>2009</u>		<u>2008</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 373,090	\$ 373,090	\$ 171,050	\$ 171,050
Fixed income	3,272,608	3,215,150	2,770,200	2,717,829
Equities	6,619,113	6,192,129	4,994,653	5,573,703
Commodities	250,565	238,332	-	-
Mortgage-backed securities	-	-	1,774,396	1,760,666
	<u>\$10,515,376</u>	<u>\$10,018,701</u>	<u>\$ 9,710,299</u>	<u>\$10,223,248</u>

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

	<u>2009</u>	<u>2008</u>
Return on investments:		
Interest and dividend income	<u>\$ 386,482</u>	<u>\$ 483,671</u>
Gain (loss) on investments:		
Realized gain (loss) on sale of investments	44,627	(1,486,987)
Increase in accumulated unrealized gain (loss) on investments	<u>1,009,623</u>	<u>(2,179,163)</u>
Net realized and unrealized gain (loss) on investments	<u>1,054,250</u>	<u>(3,666,150)</u>
Total return (loss) on investments	<u>\$ 1,440,732</u>	<u>\$ (3,182,479)</u>

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

	<u>2009</u>	<u>2008</u>
Interest income	\$ 5,655	\$ 88,006
Unrealized gain (loss) on temporarily restricted securities		
non-endowment	39,888	(85,441)
Endowment spending rate	630,000	620,000
Endowment gain (loss), exclusive of spending rate	<u>765,189</u>	<u>(3,805,044)</u>
Total return (loss) on investments	<u>\$ 1,440,732</u>	<u>\$ (3,182,479)</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Future year campaign	\$ -	\$ 155,200
Current year campaign	6,434,236	8,578,657
Prior years' campaigns	<u>2,802,415</u>	<u>3,128,730</u>
	9,236,651	11,862,587
Less allowance for uncollectible pledges:		
Current year campaign	622,794	820,068
Prior years' campaigns	<u>1,889,314</u>	<u>2,271,684</u>
	2,512,108	3,091,752
Total pledges receivable	<u>\$ 6,724,543</u>	<u>\$ 8,770,835</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.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Land	\$ 272,715	\$ 272,715
Building and improvements	1,521,697	1,505,945
Furniture and equipment	<u>1,223,747</u>	<u>1,178,372</u>
	3,018,159	2,957,032
Less accumulated depreciation	<u>2,534,727</u>	<u>2,448,645</u>
Total property and equipment, net	<u>\$ 483,432</u>	<u>\$ 508,387</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 7 - 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 2010, or approximately \$51,000.

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

Obligations and Funded Status	<u>2009</u>	<u>2008</u>
Benefit obligation	\$ (3,188,973)	\$ (3,612,039)
Fair value of plan assets	<u>4,154,156</u>	<u>3,663,724</u>
Net pension assets	<u>\$ 965,183</u>	<u>\$ 51,685</u>
Accumulated benefit obligation	<u>\$ (2,628,994)</u>	<u>\$ (2,792,215)</u>
Employer contributions	<u>\$ 49,525</u>	<u>\$ 54,913</u>
Annuities purchased or benefits paid (including expense charges)	<u>\$ 425,259</u>	<u>\$ 155,045</u>

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

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 7 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

	<u>2009</u>	<u>2008</u>
Net unrealized gain (loss) and amount previously not recognized in unrestricted net assets and in periodic pension cost	<u>\$ 912,990</u>	<u>\$ (1,501,064)</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in Changes in Unrestricted Net Assets		
	<u>2009</u>	<u>2008</u>
Service cost	\$ 180,960	\$ 213,452
Interest cost	197,389	210,340
Expected return on plan assets	(305,486)	(421,059)
Recognized actuarial net gains	-	(32,189)
Gain recognized due to settlement	<u>(23,846)</u>	<u>-</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ 49,017</u>	<u>\$ (29,456)</u>

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.

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

	<u>2009</u>	<u>2008</u>
Discount rate	6.00%	6.00%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	4.25%	4.25%

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 7 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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 each year, a best-estimate range was determined for both the real rate of return (net of inflation) and for inflation using 30-year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best-estimate range of 7.05% - 9.21% for 2009 (7.26% - 9.42% for 2008). A rate near the midpoint of the best estimate range of 8.5% was selected each year.

At December 31, 2009 and 2008 (the measurement dates), plan assets are invested in separate pooled funds at a life insurance company, with asset class balances summarized as follows:

Investment Type	2009	
	Amount	Percentage of Plan Assets
Equity securities	\$ 2,541,330	61.18 %
Fixed income securities	1,572,182	37.84 %
General account (money market funds)	40,644	0.98 %
	<u>\$ 4,154,156</u>	<u>100.00 %</u>
Investment Type	2008	
	Amount	Percentage of Plan Assets
Equity securities	\$ 1,741,761	47.54 %
Fixed income securities	1,876,933	51.23 %
General account (money market funds)	45,030	1.23 %
	<u>\$ 3,663,724</u>	<u>100.00 %</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 7 - 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 and avoidance of excessive volatility in plan values.

No plan assets are expected to be returned to the Organization in 2009.

The following benefits are expected to be paid by the plan in the indicated years:

Year Ending December 31,

2010	\$ 195,000
2011	109,000
2012	137,000
2013	259,000
2014	253,000
2015-2019	2,338,000

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 starting the first day of the month following employment. Participants' employer match accounts become vested incrementally over three years of service. Total employer contributions to this plan were \$43,039 in 2009 (\$46,069 in 2008).

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 8 - ENDOWMENT FUNDS

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Financial accounting standards also requires 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization's endowment consists of two individual funds established for a variety of purposes. Its endowment consists of donor-restricted endowment funds only. The Organization's permanently restricted endowment funds are based on signed donor agreements which outline the spending policies described below. In the absence of such donor restrictions, the Organization would follow UPMIFA and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA), which was effective July 1, 2007. 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 5% of the three-year moving average of the Endowment. The quarterly moving average method is used in order to smooth distributions from the endowment. The endowment value used in calculating the spending rate is determined based on a three-year moving average of quarterly endowment market values, with a budgeting lead of one year.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

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

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

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

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

	2009		
	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted endowment funds	<u>\$ 2,605,238</u>	<u>\$ 7,600,605</u>	<u>\$ 10,205,843</u>
	2008		
	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted endowment funds	<u>\$ 1,840,049</u>	<u>\$ 7,600,605</u>	<u>\$ 9,440,654</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

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

	2009		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2009	\$ 1,840,049	\$ 7,600,605	\$ 9,440,654
Contributions	-	-	-
Investment income	380,827	-	380,827
Net appreciation (realized and unrealized)	1,014,362	-	1,014,362
Amounts appropriated for expenditure	(630,000)	-	(630,000)
Endowment net assets, December 31, 2009	<u>\$ 2,605,238</u>	<u>\$ 7,600,605</u>	<u>\$ 10,205,843</u>
	2008		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2008	\$ 5,645,093	\$ 7,600,605	\$ 13,245,698
Contributions	-	-	-
Investment income	395,665	-	395,665
Net depreciation (realized and unrealized)	(3,580,709)	-	(3,580,709)
Amounts appropriated for expenditure	(620,000)	-	(620,000)
Endowment net assets, December 31, 2008	<u>\$ 1,840,049</u>	<u>\$ 7,600,605</u>	<u>\$ 9,440,654</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 9 - NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Contributions to support the Restore the Dream fund	\$ 309,533	\$ 269,645
Contributions to support the Read to Succeed program	139,201	225,043
Contributions to support 2-1-1 program	109,498	-
Contributions to support Teacher Effectiveness program	87,210	-
Contributions to support National Alliance for Financial Independence	62,104	-
Contributions to support the Metro Nashville Minority AIDS 07/08 program	-	572
Contributions to support the Metro Nashville Minority AIDS 08/09 program	-	1,514
Contributions to support the Bank of America - EITC grant	-	12,500
Contributions to support the Metro Nashville Part A 08/09 program	-	24,755
Contributions to support the Metro Nashville Part B 08/09 program	-	34,282
Contributions to support allocations and operations of future periods	5,592,558	8,142,820
Deferred revenue for future campaigns, net of designations	781	156,950
Net gains on permanently restricted endowment since inception	<u>2,605,238</u>	<u>1,840,049</u>
Total temporarily restricted net assets	<u>\$ 8,906,123</u>	<u>\$ 10,708,130</u>

Permanently restricted net assets at December 31, 2009 and 2008 consist entirely of endowment funds. Income from such endowment funds is temporarily restricted until the funds have been appropriated for expenditure.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 10 - 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 as follows for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Program services (primarily restricted grants and contributions)	\$ 298,666	\$ 510,984
Passage of time (previous year's campaign pledges to support current year operations)	<u>8,142,820</u>	<u>7,916,195</u>
Total net assets released from restrictions	<u>\$ 8,441,486</u>	<u>\$ 8,427,179</u>

NOTE 11 - 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 for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Metropolitan Nashville campaign	\$ 15,878,481	\$ 17,059,287
Additional amounts reported on prior campaigns	<u>84,764</u>	<u>154,242</u>
Total unrestricted campaign results	<u>\$ 15,963,245</u>	<u>\$ 17,213,529</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 12 - 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 between total revenues reported 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>2009</u>	<u>Statement of Activities</u>	<u>Per Form 990</u>
Total unrestricted support and revenue	\$ 18,650,681	
Plus: Donor designations	<u>4,681,608</u>	
Adjusted total revenue	<u>\$ 23,332,289</u>	<u>\$ 22,495,211</u>
Total supporting services costs	\$ 3,485,963	\$ 3,485,963
Percent of adjusted total revenue	14.9%	15.5%
 <u>2008</u>	 <u>Statement of Activities</u>	 <u>Per Form 990</u>
Total unrestricted support and revenue	\$ 21,315,541	
Plus: Donor designations	<u>5,163,010</u>	
Adjusted total revenue	<u>\$ 26,478,551</u>	<u>\$ 25,680,903</u>
Total supporting services costs	\$ 3,867,588	\$ 3,867,588
Percent of adjusted total revenue	14.6%	15.1%

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 13 - FEDERAL AND STATE CONTRACTS

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.

NOTE 14 - INCOME TAXES

On January 1, 2009, the Organization adopted new guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The adoption of this guidance did not have a material effect on the Organization's financial position and results of operations.

As of December 31, 2009 and 2008, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax. The Organization's returns for years prior to fiscal year 2007 are closed.