

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2007 AND 2006

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2007 AND 2006

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of United Way of Middle Tennessee, Inc. d/b/a United Way of Metropolitan Nashville (the "Organization") as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Middle Tennessee, Inc. d/b/a United Way of Metropolitan Nashville as of December 31, 2007 and 2006, 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
July 29, 2008

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 6,116,295	\$ 4,813,195
Investments, at fair value - Note 2	13,600,783	14,543,375
Pledges receivable, net - Note 3	8,934,329	10,295,504
Grants receivable	2,130,993	495,267
Refundable advances made to subrecipients - Note 9	-	1,371,712
Other receivable	51,035	88,529
Prepaid expenses	33,027	34,320
Property and equipment, net - Note 4	569,385	572,457
Net pension assets - Note 5	1,468,380	1,363,720
Cash surrender value of donated life insurance policies	896,178	841,213
TOTAL ASSETS	<u>\$ 33,800,405</u>	<u>\$ 34,419,292</u>
LIABILITIES		
Designations payable	\$ 4,343,078	\$ 5,213,811
Allocations payable	3,864,825	3,884,436
Grant payments due to subrecipients	1,532,292	174,408
Advances from grantors - Note 9	16,957	2,122,412
Accounts payable and accrued expenses	345,700	314,532
TOTAL LIABILITIES	<u>10,102,852</u>	<u>11,709,599</u>
COMMITMENTS AND CONTINGENCIES - Note 11		
NET ASSETS		
Unrestricted	7,304,585	6,066,861
Temporarily restricted - Note 6	8,792,363	9,042,227
Permanently restricted	7,600,605	7,600,605
TOTAL NET ASSETS	<u>23,697,553</u>	<u>22,709,693</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,800,405</u>	<u>\$ 34,419,292</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - 2006/2007	\$ 4,497,143	\$ -	\$ -	\$ 4,497,143
Gross campaign results - released from restrictions	13,417,789	(13,417,789)	-	-
Total campaign results - 2006/2007	17,914,932	(13,417,789)	-	4,497,143
Less donor designations	(6,218,455)	4,484,435	-	(1,734,020)
Less provision for uncollectible accounts	(479,914)	529,997	-	50,083
Net campaign revenue - 2006/2007	11,216,563	(8,403,357)	-	2,813,206
Gross campaign results - 2007/2008 ⁽¹⁾	-	11,721,967	-	11,721,967
Less donor designations	-	(3,302,436)	-	(3,302,436)
Less provision for uncollectible accounts	-	(509,560)	-	(509,560)
Net campaign revenue - 2007/2008	-	7,909,971	-	7,909,971
Other contributions	505,323	539,025	-	1,044,348
Government grants	8,920,984	-	-	8,920,984
Designations from other United Way organizations	217,816	-	-	217,816
Service fees	474,185	-	-	474,185
Endowment spending rate	580,000	-	-	580,000
Interest income	166,170	-	-	166,170
Miscellaneous income	284,818	-	-	284,818
Other net assets released from restrictions	295,503	(295,503)	-	-
TOTAL SUPPORT AND REVENUE	22,661,362	(249,864)	-	22,411,498
PROGRAM SERVICES				
Program investments and designations to direct service providers	14,176,501	-	-	14,176,501
Less: donor designations	(6,218,455)	-	-	(6,218,455)
Net program investments	7,958,046	-	-	7,958,046
Community building	611,426	-	-	611,426
Grants and initiatives	9,660,026	-	-	9,660,026
TOTAL PROGRAM SERVICES	18,229,498	-	-	18,229,498
SUPPORTING SERVICES				
Management and general	1,244,956	-	-	1,244,956
Fundraising and marketing	2,284,699	-	-	2,284,699
United Way of America dues	175,630	-	-	175,630
TOTAL SUPPORTING SERVICES	3,705,285	-	-	3,705,285
TOTAL COSTS AND EXPENSES	21,934,783	-	-	21,934,783
Change in net assets before non-operating items	726,579	(249,864)	-	476,715
Endowment gains (losses), exclusive of spending rate	511,145	-	-	511,145
CHANGE IN NET ASSETS	1,237,724	(249,864)	-	987,860
NET ASSETS - BEGINNING OF YEAR	6,066,861	9,042,227	7,600,605	22,709,693
NET ASSETS - END OF YEAR	\$ 7,304,585	\$ 8,792,363	\$ 7,600,605	\$ 23,697,553

⁽¹⁾ Includes \$2,200 for future campaigns, less \$11,444 recognized in prior year.

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	\$ 410,723	\$ 374,432	\$ 785,155
Payroll taxes	30,384	27,342	57,726
Employee benefits	46,997	40,656	87,653
Total personnel costs	488,104	442,430	930,534
Professional and contract fees	22,880	591,605	614,485
Supplies	1,285	6,538	7,823
Telephone	3,541	3,029	6,570
Postage and shipping	6,591	5,239	11,830
Occupancy	21,264	22,343	43,607
Maintenance and equipment rental	25,213	18,911	44,124
Printing and promotional	11,237	67,387	78,624
Travel	2,287	13,347	15,634
Conferences, conventions, and meetings	5,378	6,283	11,661
Dues and subscriptions	6,875	361	7,236
Miscellaneous	-	518	518
Planned giving premium expense	-	-	-
Total other operating expenses	106,551	735,561	842,112
Depreciation of property and equipment	16,771	17,115	33,886
Total operating expenses	611,426	1,195,106	1,806,532
Program grants to direct service providers	-	8,464,920	8,464,920
	<u>\$ 611,426</u>	<u>\$ 9,660,026</u>	10,271,452
Net program investments (shown separately on the Statement of Activities)			<u>7,958,046</u>
			<u>\$ 18,229,498</u>

See accompanying notes to financial statements.

Supporting Services				
Management and General	Fundraising and Marketing	United Way of America Dues	Total Supporting Services	Total
\$ 669,594	\$ 1,227,373	\$ -	\$ 1,896,967	\$ 2,682,122
48,389	88,402	-	136,791	194,517
73,366	118,190	-	191,556	279,209
791,349	1,433,965	-	2,225,314	3,155,848
210,941	31,471	-	242,412	856,897
3,685	3,804	-	7,489	15,312
9,403	10,440	-	19,843	26,413
16,456	18,899	-	35,355	47,185
61,681	62,847	-	124,528	168,135
58,552	57,821	-	116,373	160,497
6,372	505,843	-	512,215	590,839
8,287	19,116	-	27,403	43,037
5,125	80,281	-	85,406	97,067
14,169	11,067	175,630	200,866	208,102
22,060	314	-	22,374	22,892
5,760	-	-	5,760	5,760
422,491	801,903	175,630	1,400,024	2,242,136
31,116	48,831	-	79,947	113,833
1,244,956	2,284,699	175,630	3,705,285	5,511,817
-	-	-	-	8,464,920
<u>\$ 1,244,956</u>	<u>\$ 2,284,699</u>	<u>\$ 175,630</u>	3,705,285	13,976,737
			-	7,958,046
			<u>\$ 3,705,285</u>	<u>\$ 21,934,783</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

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

See accompanying notes to financial statements.

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Change in net assets	<u>\$ 987,860</u>	<u>\$ 1,161,542</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	113,833	124,171
Loss on sale of property and equipment	989	-
Realized gain on sale of investments	(816,102)	(208,546)
Unrealized (gain) loss on investments	72,934	(743,871)
Effect of adoption of recognition and measurement date provisions of SFAS No. 158 - Note 5	-	(730,093)
(Increase) decrease in assets:		
Pledges receivable	1,361,175	1,107,438
Grant receivable	(1,635,726)	687,714
Refundable advances made to subrecipients	1,371,712	(1,371,712)
Prepaid expenses and other receivable	38,787	(38,603)
Net pension assets	(104,660)	1,231
Cash surrender value of life insurance policies	(54,965)	(44,580)
Increase (decrease) in liabilities:		
Designations, allocations and grant payments due to subrecipients	467,540	(1,896,526)
Advances from grantors	(2,105,455)	2,122,412
Accounts payable and accrued expenses	<u>31,168</u>	<u>(45,320)</u>
TOTAL ADJUSTMENTS	<u>(1,258,770)</u>	<u>(1,036,285)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(270,910)</u>	<u>125,257</u>
INVESTING ACTIVITIES		
Purchase of investments	(20,624,690)	(18,358,007)
Proceeds from sale of investments	22,310,450	17,055,211
Purchase of property and equipment	<u>(111,750)</u>	<u>(57,172)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,574,010</u>	<u>(1,359,968)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,303,100	(1,234,711)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,813,195</u>	<u>6,047,906</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,116,295</u>	<u>\$ 4,813,195</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

United Way of Middle Tennessee, Inc. (d/b/a United Way of Metropolitan Nashville) (the "Organization" or "United Way") presents its financial statements 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 current name, United Way of Metropolitan Nashville, Inc., was adopted in 1999. During 2006, the Board of Trustees voted to change the legal name of the Organization to United Way of Middle Tennessee, Inc.

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

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

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis 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.
D/B/A UNITED WAY OF METROPOLITAN NASHVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new accounting pronouncement

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, pledges receivable, campaign expenses, and program investments

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

Campaigns are conducted 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 four-year historical average write-off percentage, adjusted by management estimates of current economic factors, applied to gross campaign including donor designations.

Campaign support pledged is recognized as an increase in temporarily restricted net assets until the year of investment. All contributions are considered available for use as approved by the Board of Trustees unless specifically restricted or designated by the donor. Campaign pledges designated by donors are considered to be agency-type transactions and are not included in net revenues or expenses of the Organization. Campaign expenses for annual campaigns are recognized in the period incurred.

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

Grant revenue from federal and state government agencies is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as an advance from the grantor 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, repurchase agreements, money market funds, commercial paper, and U.S. government bonds with original maturities when purchased of 90 days or less.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of certificates of deposit and various marketable debt and equity securities and are carried at the quoted fair market value of the securities on the last business day of the reporting period. 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.

Income taxes

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

Program and supporting services - functional allocation

The following 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services - functional allocation (Continued)

Program services (Continued)

Community building - includes activities funded by the annual campaign related to planning, oversight, administration of outcome-based investments, and support for the Family Resource Center system.

Grants and initiatives - includes activities that deliver services funded by sources other than the annual campaign, such as the Ryan White/Community AIDS Partnership, Early Reading First and Read to Succeed, 2-1-1, Family Resource Center coordination and administration, the Fund for Administrative Collaboration and, in 2006, statewide support for the Governor's pre-kindergarten program.

Supporting services:

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

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

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

Allocation of functional expenses

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service fees

Service fees are amounts charged by the Organization for raising, processing and transferring donor-designated gifts to agencies and other United Way organizations. Donor-designated pledges are assessed both a fundraising and management and general fee based on actual historical costs in accordance with United Way of America's Membership Requirements as outlined in 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.

Donated services and in-kind contributions

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

Endowment income distribution policy

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

Use of estimates in the preparation of the financial statements

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

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

DECEMBER 31, 2007 AND 2006

NOTE 2 - INVESTMENTS

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

	<u>2007</u>		<u>2006</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 572,757	\$ 572,757	\$ 514,879	\$ 514,879
Commercial paper	-	-	492,827	493,508
Mutual funds - hedge fund	-	-	339,958	350,000
U.S. Treasury securities	567,917	561,070	608,513	604,643
U.S. Government agency obligations	2,193,383	2,166,641	2,511,374	2,520,389
Corporate debt securities	45,971	46,265	45,422	46,288
Equity securities	9,780,425	8,147,755	9,136,009	7,402,366
Mortgage-backed securities	440,330	440,082	894,393	899,703
	<u>\$ 13,600,783</u>	<u>\$ 11,934,570</u>	<u>\$ 14,543,375</u>	<u>\$ 12,831,776</u>

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

	<u>2007</u>	<u>2006</u>
Return on investments:		
Interest and dividend income	<u>\$ 514,147</u>	<u>\$ 508,543</u>
Gain (loss) on investments:		
Realized gain on sale of investments	816,102	208,546
Increase in accumulated unrealized gain (loss) on investments	<u>(72,934)</u>	<u>743,871</u>
Net realized and unrealized gain on investments	<u>743,168</u>	<u>952,417</u>
Total return on investments	<u>\$ 1,257,315</u>	<u>\$ 1,460,960</u>

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

	<u>2007</u>	<u>2006</u>
Interest income	\$ 166,170	\$ 153,691
Endowment spending rate	580,000	566,000
Endowment gains, exclusive of spending rate	<u>511,145</u>	<u>741,269</u>
Total return on investments	<u>\$ 1,257,315</u>	<u>\$ 1,460,960</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Future year campaign	\$ -	\$ 1,144
Current year campaign	8,521,604	10,159,472
Prior years' campaigns	<u>3,221,752</u>	<u>3,094,351</u>
	<u>11,743,356</u>	<u>13,254,967</u>
Less allowance for uncollectible pledges:		
Current year campaign	709,596	805,530
Prior years' campaigns	<u>2,099,431</u>	<u>2,153,933</u>
	<u>2,809,027</u>	<u>2,959,463</u>
Total pledges receivable	<u>\$ 8,934,329</u>	<u>\$ 10,295,504</u>

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

All pledges receivable are due within one year, with the exception of \$1,144 that is listed as future campaigns in the table above as of December 31, 2006.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Land	\$ 272,715	\$ 272,715
Building and improvements	1,492,556	1,409,383
Furniture and equipment	<u>1,148,822</u>	<u>1,685,138</u>
	2,914,093	3,367,236
Less accumulated depreciation	<u>2,344,708</u>	<u>2,794,779</u>
Total property and equipment, net	<u>\$ 569,385</u>	<u>\$ 572,457</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 5 - EMPLOYEE RETIREMENT PLANS

The Organization contributes to a defined benefit pension plan covering substantially all of its salaried employees who have completed one year of service and are at least 21 years of age. There are no contributions required to be paid to the plan by the Organization during the next fiscal year. The Organization expects to make a discretionary contribution equal to 2% of eligible salaries in 2008, or approximately \$61,000.

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

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

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

Obligations and Funded Status	<u>2007</u>	<u>2006</u>
Benefit obligation	\$ (3,556,541)	\$ (3,328,795)
Fair value of plan assets	<u>5,024,921</u>	<u>4,692,515</u>
Net pension assets	<u>\$ 1,468,380</u>	<u>\$ 1,363,720</u>

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

DECEMBER 31, 2007 AND 2006

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Obligations and Funded Status (Continued)	<u>2007</u>	<u>2006</u>
Accumulated benefit obligation	\$ (2,627,812)	\$ (2,303,112)
Employer contributions	\$ 56,746	\$ 48,978
Plan participant contributions	\$ -	\$ -
Annuities purchased or benefits paid (including expense charges)	\$ 15,946	\$ 30,221

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

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

	<u>2007</u>	<u>2006</u>
Net unrealized gain (loss)	\$ 50,920	\$ 730,093
Prior service cost (credit)	-	-

Amounts previously not recognized in unrestricted net assets and in periodic pension cost	<u>\$ 50,920</u>	<u>\$ 730,093</u>
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Other Changes in Plan Assets and Benefit Obligations Recognized in Changes in Unrestricted Net Assets	<u>2007</u>	<u>2006</u>
Service cost	\$ 235,683	\$ 227,271
Interest cost	197,967	187,002
Expected return on plan assets	(395,422)	(354,629)
Recognized actuarial net (gains) losses	<u>(35,222)</u>	<u>(9,435)</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ 3,006</u>	<u>\$ 50,209</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.

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

DECEMBER 31, 2007 AND 2006

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

	<u>2007</u>	<u>2006</u>
Discount rate	5.75%	5.75%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	4.25%	4.25%

The expected long-term rate of return on plan assets assumption of 8.5% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - *Selection of Economic Assumptions for Measuring Pension Obligations*. Based on the Organization's investment policy for the pension plan in effect as of the beginning of 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 7.29% - 9.45% for 2007 (7.62% - 9.76% for 2006). A rate near the midpoint of the best estimate range of 8.5% was selected each year.

At December 31, 2007 and 2006 (the measurement date), plan assets are invested in separate pooled funds at a life insurance company, with asset class balances summarized as follows:

<u>Investment Type</u>	<u>2007</u>	
	<u>Amount</u>	<u>Percentage of Plan Assets</u>
Equity securities	\$ 2,623,035	52.20 %
Fixed income securities	2,399,199	47.75 %
General account (money market funds)	<u>2,687</u>	<u>0.05 %</u>
	<u>\$ 5,024,921</u>	<u>100.00 %</u>
<u>Investment Type</u>	<u>2006</u>	
	<u>Amount</u>	<u>Percentage of Plan Assets</u>
Equity securities	\$ 2,480,153	52.85 %
Fixed income securities	2,209,762	47.09 %
General account (money market funds)	<u>2,600</u>	<u>0.06 %</u>
	<u>\$ 4,692,515</u>	<u>100.00 %</u>

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

DECEMBER 31, 2007 AND 2006

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

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

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

Year Ending December 31,

2008	\$ 136,000
2009	112,000
2010	112,000
2011	120,000
2012	471,000
2013 - 2017	3,608,000

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 \$48,547 in 2007 (\$51,138 in 2006).

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 6 - NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Contributions to support the Restore the Dream fund	\$ 355,085	\$ 327,043
Contributions to support the Behavior risk assessment	10,100	10,100
Contributions to support the 2-1-1 program	-	52,327
Contributions to support the Read to Succeed program	479,775	229,546
Contributions to support the Nashville Youth Opportunities Initiative	-	13,630
Contributions to support the Vanderbilt Family Literacy program	31,033	-
Contributions to support the Metro Nashville Minority AIDS program	175	-
Contributions to support allocations and operations of future periods	<u>7,916,195</u>	<u>8,409,581</u>
Total temporarily restricted net assets	<u>\$ 8,792,363</u>	<u>\$ 9,042,227</u>

Permanently restricted net assets at December 31, 2007 and 2006 consist entirely of endowment funds. Income from such endowment funds is unrestricted.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2007</u>	<u>2006</u>
Program services (primarily restricted grants and contributions)	\$ 295,503	\$ 613,235
Passage of time (previous year's campaign pledges to support current year operations)	<u>8,403,357</u>	<u>9,213,975</u>
Total net assets released from restrictions	<u>\$ 8,698,860</u>	<u>\$ 9,827,210</u>

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

DECEMBER 31, 2007 AND 2006

NOTE 8 - RECONCILIATION OF METROPOLITAN NASHVILLE CAMPAIGN

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

	<u>2007</u>	<u>2006</u>
Metropolitan Nashville campaign	\$ 17,846,187	\$ 17,499,429
Additional amounts reported on prior campaigns	<u>68,745</u>	<u>134,936</u>
Total unrestricted campaign results	<u>\$ 17,914,932</u>	<u>\$ 17,634,365</u>

NOTE 9 - ADVANCES FROM GRANTORS

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 10 - 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>2007</u>	<u>Statement of Activities</u>	<u>Per Form 990</u>
Total unrestricted support and revenue	\$ 22,661,362	
Plus: Donor designations	<u>6,218,455</u>	
Adjusted total revenue	<u>\$ 28,879,817</u>	<u>\$ 28,409,407</u>
Total supporting services costs	\$ 3,705,285	\$ 3,705,285
Percent of adjusted total revenue	12.8%	13.0%
<u>2006</u>	<u>Statement of Activities</u>	<u>Per Form 990</u>
Total unrestricted support and revenue	\$ 21,166,400	
Plus: Donor designations	<u>5,933,339</u>	
Adjusted total revenue	<u>\$ 27,099,739</u>	<u>\$ 26,139,906</u>
Total supporting services costs	\$ 3,653,034	\$ 3,653,034
Percent of adjusted total revenue	13.5%	14.0%

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 11 - 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 12 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, various grants, pledges receivable and investments. Pledges receivable consist of corporate and individual pledges for the annual campaign, which are widely dispersed to mitigate credit risk. Grant receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources.

The Organization maintains cash and investment balances in bank deposit accounts at various financial institutions. Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 for each bank. The balance at December 31, 2007, exceeded the FDIC limit by approximately \$471,000. In addition, the Organization has a Repurchase Agreement Sweep Account, which had a balance of approximately \$2 million as of December 31, 2007, which is not FDIC insured, but which is (i) collateralized by direct obligations of the U.S. Treasury and other securities issued by federal government agencies, including mortgage-backed securities, and (ii) fully guaranteed as to principal and interest by those agencies.

Securities held in broker/dealer accounts 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 additional protection through the Customer Asset Protection Company. Under this program, cash and fully paid securities are not subject to any dollar amount limitation. Accounts held by another broker/dealer, to the extent they exceed SIPC limits, are covered by an additional \$124.5 million of insurance. The SIPC and additional protection do not insure against market risk.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007 AND 2006

NOTE 13 - PENDING ADOPTION OF ACCOUNTING STANDARD

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which is effective for fiscal years beginning after December 15, 2007. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements*. FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS-157 are effective for the Organization for fiscal years beginning after November 15, 2007.

In February, 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (FAS-159), *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. The fair value option established by FAS-159 permits all entities to choose to measure eligible items at fair value at specified election dates. A reporting entity will report unrealized gains and losses on items for which the fair value option has been elected in the statement of activities at each subsequent reporting date. FAS-159 is effective for the Organization for fiscal years beginning after November 15, 2007.

The Organization is currently evaluating the impact if any, of the adoption of these pronouncements on the financial statements.