THE UNITED WAY OF METROPOLITAN NASHVILLE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2005 AND 2004

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FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2005 AND 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The United Way of Metropolitan Nashville, Inc.

We have audited the accompanying statements of financial position of The United Way of Metropolitan Nashville, Inc. (the "Organization") as of December 31, 2005 and 2004, 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 The United Way of Metropolitan Nashville, Inc. as of December 31, 2005 and 2004, 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
June 16, 2006

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THE UNITED WAY OF METROPOLITAN NASHVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
Cash and cash equivalents	$ 6,047,906	$ 6,651,831
Investments, at fair value - Note 2	12,288,162	10,743,662
Pledges receivable, net - Note 3	11,402,942	15,941,906
Grants receivable	1,182,981	229,278
Prepaid expenses	29,179	103,412
Property and equipment, net - Note 4	639,456	716,276
Prepaid pension costs - Note 5	634,858	642,670
Cash surrender value of life insurance policies	796,633	707,867
Other	55,067	304,761
TOTAL ASSETS	$ 33,077,184	$ 36,041,663
LIABILITIES		
Designations payable	$ 6,471,825	$ 9,598,928
Allocations payable	3,891,099	4,306,066
Grants payable	806,257	658,058
Advances from grantors	-	775,389
Accounts payable and accrued expenses	359,852	227,491
TOTAL LIABILITIES	11,529,033	15,565,932
COMMITMENTS AND CONTINGENCIES - Note 11		
NET ASSETS		
Unrestricted	3,997,414	2,436,526
Temporarily restricted - Note 6	9,950,132	10,916,471
Permanently restricted	7,600,605	7,122,734
TOTAL NET ASSETS	21,548,151	20,475,731
TOTAL LIABILITIES AND NET ASSETS	$ 33,077,184	$ 36,041,663

See accompanying notes to financial statements.

THE UNITED WAY OF METROPOLITAN NASHVILLE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

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

See accompanying notes to financial statements.

	2004			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE				
Gross campaign results - 2003/2004	$ 2,230,166	$ -	$ -	$ 2,230,166
Gross campaign results - released from restrictions	19,032,689	(19,032,689)	-	-
Total campaign results - 2003/2004	21,262,855	(19,032,689)	-	2,230,166
Less donor designations	(8,033,365)	7,719,503	-	(313,862)
Less provision for uncollectible accounts	(657,260)	710,291	-	53,031
Net campaign revenue - 2003/2004	12,572,230	(10,602,895)	-	1,969,335
Gross campaign results - 2004/2005 (2)	-	17,441,225	-	17,441,225
Less donor designations	-	(7,016,614)	-	(7,016,614)
Less provision for uncollectible accounts	-	(649,124)	-	(649,124)
Net campaign revenue - 2004/2005	-	9,775,487	-	9,775,487
Other contributions	229,680	63,328	-	293,008
Government grants	3,783,297	-	-	3,783,297
Designations from other United Way organizations	120,318	-	-	120,318
Service fees	609,407	-	-	609,407
Endowment spending rate	345,000	-	-	345,000
Interest income	37,097	-	-	37,097
Miscellaneous income	213,943	-	-	213,943
Other net assets released from restrictions	144,853	(144,853)	-	-
TOTAL SUPPORT AND REVENUE	18,055,825	(908,933)	-	17,146,892
PROGRAM SERVICES				
Program investments and designations to direct service providers	17,026,331	-	-	17,026,331
Less: donor designations	(8,033,365)	-	-	(8,033,365)
Net program investments	8,992,966	-	-	8,992,966
Community building	990,221	-	-	990,221
Grants and initiatives	4,164,704	-	-	4,164,704
TOTAL PROGRAM SERVICES	14,147,891	-	-	14,147,891
SUPPORTING SERVICES				
Management and general	1,048,602	-	-	1,048,602
Fundraising and marketing	2,230,998	-	-	2,230,998
United Way of America dues	156,583	-	-	156,583
TOTAL SUPPORTING SERVICES	3,436,183	-	-	3,436,183
TOTAL COSTS AND EXPENSES	17,584,074	-	-	17,584,074
Change in net assets before endowment gains (losses)	471,751	(908,933)	-	(437,182)
Endowment gains (losses), exclusive of spending rate	171,528	-	-	171,528
CHANGE IN NET ASSETS	643,279	(908,933)	-	(265,654)
NET ASSETS - BEGINNING OF YEAR	1,793,247	11,825,404	7,122,734	20,741,385
NET ASSETS - END OF YEAR	$ 2,436,526	$ 10,916,471	$ 7,122,734	$ 20,475,731

(2) Includes $640,800 for future campaigns, less $1,478,200 recognized in prior year.

THE UNITED WAY OF METROPOLITAN NASHVILLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

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

See accompanying notes to financial statements.

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

THE UNITED WAY OF METROPOLITAN NASHVILLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Services		
	Community Building	Grants and Initiatives	Total Program Services
Salaries	$ 708,716	$ 157,352	$ 866,068
Employee benefits	67,518	20,795	88,313
Payroll taxes	49,561	11,006	60,567
Total personnel costs	825,795	189,153	1,014,948
Professional and contract fees	23,116	155,472	178,588
Supplies	2,941	6,380	9,321
Telephone	9,308	1,512	10,820
Postage and shipping	9,414	1,669	11,083
Occupancy	36,816	11,722	48,538
Maintenance and equipment rental	23,360	3,705	27,065
Printing and promotional	3,180	54,077	57,257
Travel	5,060	2,882	7,942
Conferences, conventions, and meetings	5,242	8,059	13,301
Dues and subscriptions	7,154	25	7,179
Miscellaneous	-	42	42
Planned giving premium expense	-	-	-
Total other operating expenses	125,591	245,545	371,136
Depreciation of property and equipment	38,835	6,214	45,049
Total operating expenses	990,221	440,912	1,431,133
Program investments and grants to direct service providers	-	3,723,792	3,723,792
	$ 990,221	$ 4,164,704	5,154,925
Net program investments (shown separately on the Statement of Activities)			8,992,966
			$ 14,147,891

See accompanying notes to financial statements.

Supporting Services				
Management and General	Fundraising and Marketing	United Way of America Dues	Total Supporting Services	Total
$ 585,625	$ 1,235,882	$ -	$ 1,821,507	$ 2,687,575
42,534	108,776	-	151,310	239,623
35,275	82,362	-	117,637	178,204
663,434	1,427,020	-	2,090,454	3,105,402
85,571	40,139	-	125,710	304,298
17,157	5,950	-	23,107	32,428
15,436	20,925	-	36,361	47,181
13,394	21,637	-	35,031	46,114
51,597	70,419	-	122,016	170,554
99,766	57,782	-	157,548	184,613
2,707	409,547	-	412,254	469,511
16,802	20,308	-	37,110	45,052
6,268	73,897	-	80,165	93,466
15,984	11,662	156,583	184,229	191,408
12,936	256	-	13,192	13,234
9,709	-	-	9,709	9,709
347,327	732,522	156,583	1,236,432	1,607,568
37,841	71,456	-	109,297	154,346
1,048,602	2,230,998	156,583	3,436,183	4,867,316
-	-	-	-	3,723,792
$ 1,048,602	$ 2,230,998	$ 156,583	$ 3,436,183	8,591,108
				8,992,966
				$ 17,584,074

THE UNITED WAY OF METROPOLITAN NASHVILLE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
OPERATING ACTIVITIES		
Change in net assets	$ 1,072,420	$ (265,654)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	143,821	154,346
Realized (gain) loss on sale of investments	(1,782,506)	(351,732)
Unrealized (gain) loss on investments	215,834	56,988
Noncash contribution of securities	(477,871)	-
(Increase) decrease in assets:		
Pledges receivable	4,538,964	1,104,007
Grant receivable	(953,703)	345,029
Prepaid expenses	74,233	15,773
Prepaid pension costs	7,812	(23,768)
Cash surrender value of life insurance policies	(88,766)	(57,421)
Other assets	249,694	(21,239)
Increase (decrease) in liabilities:		
Designations, allocations and grants payable	(3,393,871)	(205,296)
Advances from grantors	(775,389)	775,389
Accounts payable and accrued expenses	132,361	(117,133)
TOTAL ADJUSTMENTS	(2,109,387)	1,674,943
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,036,967)	1,409,289
INVESTING ACTIVITIES		
Purchase of investments	(24,018,112)	(16,712,295)
Proceeds from sale of investments	24,518,155	16,460,413
Purchase of property and equipment	(67,001)	(66,269)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	433,042	(318,151)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(603,925)	1,091,138
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,651,831	5,560,693
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,047,906	$ 6,651,831

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

The Organization, whose antecedents date back to the Community Chest of Nashville formed in 1922, was incorporated as The United Givers Fund of Nashville and Davidson County on May 21, 1954. The current name, The United Way of Metropolitan Nashville, Inc., was adopted in 1999. Subsequent to year end, the board voted to change the legal name of the Organization to The United Way of Middle Tennessee, Inc.

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

Basis of presentation

The Combined Federal Campaign ("CFC") contracts with the United Way to manage the campaign and administer the funds of CFC. In accordance with United Way of America's revised *Financial Statement Standards (Membership Standard H)*, the 2004 campaign results of the Metropolitan Nashville Combined Federal Campaign (the "Campaign") are included in the gross campaign results of The United Way of Metropolitan Nashville, Inc., and are included in the Organization's statement of activities. The Organization did not manage the CFC's Fall 2005 Campaign. (See Note 8.)

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

- Unrestricted - includes unrestricted resources and represents expendable funds available for support of the Organization's operations.
- Temporarily restricted - includes gifts from contributions restricted for specific programs or time periods.
- Permanently restricted - includes gifts which contain provisions requiring in perpetuity that the principal be invested and the income or specific portions thereof be used for the Organization's operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, pledges receivable, campaign expenses, and program investments

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

Campaigns are conducted in the fall of each year to raise support for program investments in participating agencies in the subsequent year. Pledges receivable are recognized in the period received, with an allowance provided for estimated uncollectible accounts. The allowance for uncollectible accounts is computed based on a four-year historical average write-off percentage, adjusted by management estimates of current economic factors, applied to gross campaign including donor designations.

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

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

Cash and cash equivalents

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

Investments

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

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

Income taxes

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

Program and supporting services - functional allocation

The following functional expense classifications are included in the accompanying financial statements:

Program services:

Program investments and designations to direct service providers - includes activities funded by the annual campaign for outcome-based investments in agency programs, coordination and administration of Family Resource Centers, program investments in the Read to Succeed initiative and support of the 2-1-1 community information line.

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, and administration of outcome-based investments, Read to Succeed, 2-1-1, 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, and Family Resource Center coordination and administration.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services - functional allocation (Continued)

Supporting services:

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

Fundraising - 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.

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 Standards as outlined in their publication titled *United Way of America Cost Deduction Requirements for Membership Standard A*. The Organization is committed to complying with that standard 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment income distribution policy

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

Use of estimates

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

NOTE 2 - INVESTMENTS

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

	2005		2004	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$ 436,232	$ 436,232	$ 544,486	$ 544,486
Mutual funds - hedge fund	345,704	350,000	350,000	350,000
U.S. Treasury securities	1,880,379	1,890,156	1,090,247	1,067,530
U.S. Government agency obligations	469,518	470,101	634,045	659,407
Corporate debt securities	26,000	26,000	512,176	515,170
Equity securities	8,309,303	7,351,164	7,612,708	6,479,099
Mortgage-backed securities	821,026	829,438	-	-
	$ 12,288,162	$ 11,353,091	$ 10,743,662	$ 9,615,692

NOTE 2 - INVESTMENTS (CONTINUED)

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

	2005	2004
Return on investments:		
Interest and dividend income	$ 346,958	$ 258,881
Gain (loss) on investments:		
Realized gain (loss) on sale of investments	1,782,506	351,732
Increase in accumulated unrealized gain (loss) on investments	(215,834)	(56,988)
Net realized and unrealized gain (loss) on investments	1,566,672	294,744
Total return on investments	$ 1,913,630	$ 553,625

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

	2005	2004
Interest income	$ 94,837	$ 37,097
Endowment spending rate	434,300	345,000
Endowment gains (losses), exclusive of spending rate	1,384,493	171,528
Total return on investments	$ 1,913,630	$ 553,625

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2005	2004
Future year campaign	$ 6,756	$ 604,353
Current year campaign	11,001,594	14,979,473
Prior years' campaigns	3,747,089	4,118,115
	14,755,439	19,701,941
Less allowance for uncollectible pledges	3,352,497	3,760,035
Total pledges receivable	$ 11,402,942	$ 15,941,906

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 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2005	2004
Land	$ 272,715	$ 272,715
Building and improvements	1,396,260	1,387,843
Furniture and equipment	1,641,087	1,582,503
	3,310,062	3,243,061
Less accumulated depreciation	2,670,606	2,526,785
Total property and equipment, net	$ 639,456	$ 716,276

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.

The following table sets forth the plan's change in benefit obligation, change in plan assets, funded status and components of pension (income) expenses recognized in the accompanying financial statements for the years ended December 31:

Change in Benefit Obligation	2005	2004
Benefit obligation - beginning of year	$ 2,759,558	$ 2,224,658
Service cost	239,238	209,087
Interest cost	175,158	155,044
Change in assumptions	153,777	265,941
Actuarial (gain) loss	(66,798)	(30,759)
Annuities purchased or benefits paid	(7,731)	(49,183)
Expense charges	(15,959)	(15,230)
Benefit obligation - end of year	$ 3,237,243	$ 2,759,558

Change in Plan Assets	2005	2004
Fair value of assets - beginning of year	$ 3,972,325	$ 3,707,294
Actual return (loss) on plan assets	210,052	305,050
Employer contributions	46,965	24,394
Employee contributions	-	-
Annuities purchased or benefits paid (including expense charges)	(23,690)	(64,413)
Fair value of assets - end of year	$ 4,205,652	$ 3,972,325

Funded Status	2005	2004
Benefit obligation	$ 3,237,243	$ 2,759,558
Fair value of plan assets	4,205,652	3,972,325
Funded status	968,409	1,212,767
Unrecognized transition (asset) obligation	-	-
Unrecognized net actuarial (gains) losses	(333,551)	(570,097)
Prepaid pension costs - end of year	$ 634,858	$ 642,670

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Following is a summary, by year, of expected benefit payments to be paid by the plan, which reflect expected future service, as appropriate:

Year Ending December 31,	
2006	$ 56,000
2007	15,000
2008	73,000
2009	120,000
2010	121,000
2011 - 2015	1,562,000

There are no contributions required to be paid to the plan by the Organization during the next fiscal year. The Organization approved a contribution equal to 2% of eligible salaries for 2005.

Components of Net Periodic Cost (Income)	2005	2004
Service cost	$ 239,238	$ 209,087
Interest cost	175,158	155,044
Expected return on plan assets	(336,575)	(313,623)
Amortization of unrecognized transitional obligation or (asset)	-	-
Recognized net (gains) losses	(23,044)	(49,882)
Net periodic cost (income) for the year	$ 54,777	$ 626

Weighted average assumptions as of December 31:

	2005	2004
Discount rate	5.75%	6.00%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increases	4.25%	4.25%

Changes in actuarial assumptions during 2005 related to the reduction of the discount rate from 6.0% to 5.75%, resulting in an increase to the pension benefit obligation of $153,777 as of December 31, 2005. Changes in actuarial assumptions during 2004 related to the reduction of the discount rate from 6.5% to 6.0%, resulting in an increase to the pension benefit obligation of $265,941 as of December 31, 2004.

NOTE 5 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

At December 31, 2005, plan assets are invested in separate pooled funds at a life insurance company, with asset class balances summarized as follows:

Investment Type		Amount	Percentage of Plan Assets	
Equity securities	$	2,538,310	60.35	%
Fixed income securities		1,664,824	39.59	%
General account (money market funds)		2,518	0.06	%
	$	4,205,652	100.00	%

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

The expected long-term rate of return on plan assets assumption of 8.5% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - *Selection of Economic Assumptions for Measuring Pension Obligations.* Based on the Organization's investment policy for the pension plan in effect as of the beginning of the fiscal year, a best-estimate range was determined for both the real rate of return (net of inflation) and for inflation based on 30-year period rolling averages. An average inflation rate within the range equal to 4.00% was selected and added to the real rate of return range to arrive at a best-estimate range of 8.10% - 10.03%. A rate near the midpoint of the best estimate range of 8.5% was selected.

The Organization also sponsors a Section 403(b) retirement plan. The plan requires the Organization to match an employee's deferral amount up to a maximum of 3% of each eligible employee's annual compensation. Employees are eligible to participate in the plan the first day of the month following employment. Participants become vested incrementally over three years of service. Total employer contributions were $51,792 in 2005 ($48,666 in 2004).

NOTE 6 - NET ASSETS

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

	2005	2004
Contributions to support the Restore the Dream fund	$ 294,877	$ 271,942
Contributions to support the Decatur County initiative	-	123,540
Contributions to support the Workforce Development initiative	-	32,422
Contributions to support the 2-1-1 program	132,372	-
Contributions to support the Read to Succeed program	282,512	-
Contributions to support allocations and operations of future periods	9,240,371	10,488,567
Total temporarily restricted net assets	$ 9,950,132	$ 10,916,471

Permanently restricted net assets at December 31, 2005 and 2004 consist entirely of endowment funds. Income from such endowment funds is unrestricted.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	2005	2004
Program services (primarily restricted grants and contributions)	$ 312,651	$ 144,853
Passage of time (previous year's campaign pledges to support current year operations)	9,993,686	10,602,895
Total net assets released from restrictions	$ 10,306,337	$ 10,747,748

NOTE 8 - GOVERNMENTAL CAMPAIGN

Summarized financial information of the Combined Federal Campaign, which is included in the Organization's financial statements, as of and for the years ended December 31, follows:

STATEMENTS OF FINANCIAL POSITION

	2005	2004
Cash	$ 166,731	$ 262,495
Pledges receivable, net of allowance	71,737	973,752
Prepaid campaign expenses	-	82,953
Total assets	$ 238,468	$ 1,319,200
Due to United Way	$ 60,182	$ 108,140
Designations payable	178,286	1,211,060
Total liabilities	$ 238,468	$ 1,319,200

STATEMENTS OF ACTIVITIES

	2005	2004
Gross campaign revenue	$ 1,040,502	$ 996,369
Less: designations	(1,040,502)	(996,369)
Net campaign revenue	$ -	$ -
Designations to direct service providers	1,040,502	996,369
Less: donor designations	(1,040,502)	(996,369)
Net program investment	$ -	$ -

NOTE 8 - GOVERNMENTAL CAMPAIGN (CONTINUED)

Also included in the temporarily restricted column on the Statement of Activities are amounts pledged relating to future campaigns, as follows, for the years ended December 31:

	2005	2004
Gross campaign revenue - future campaigns	$ -	$ 1,016,652
Less: donor designations	-	(1,016,652)
Net campaign revenue	$ -	$ -

The Organization was not awarded the CFC contract for the Fall 2005 campaign.

NOTE 9 - RECONCILIATION OF METROPOLITAN NASHVILLE CAMPAIGN

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

	2005	2004
Metropolitan Nashville campaign	$ 18,831,058	$ 20,310,902
Additional amounts reported on prior campaigns	87,453	88,335
Combined Federal Campaign revenues, net of amounts already recognized in the Metropolitan Nashville campaign	927,175	863,618
Total unrestricted campaign results	$ 19,845,686	$ 21,262,855

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

2005	Per Financial Statement	Per Form 990
Total unrestricted support and revenue	$ 18,462,525	
Plus: Donor designations	7,875,888	
Adjusted total revenue	$ 26,338,413	$ 27,211,945
Total supporting services costs	$ 3,548,480	$ 3,548,480
Percent of adjusted total revenue	13.5%	13.0%

2004	Per Financial Statement	Per Form 990
Total unrestricted support and revenue	$ 18,055,825	
Plus: Donor designations	8,033,365	
Adjusted total revenue	$ 26,089,190	$ 25,228,454
Total supporting services costs	$ 3,436,183	$ 3,436,183
Percent of adjusted total revenue	13.2%	13.6%

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.

NOTE 11 - FEDERAL AND STATE CONTRACTS

Expenditures related to federal and state contracts are subject to adjustment based upon review by the granting agencies. It is management's assessment that the amounts, if any, of expenditures which may be disallowed would not have a material effect on the Organization's financial position.

NOTE 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 which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance limits. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NOTE 13 - SUBSEQUENT EVENT

Subsequent to year end, United Way of Cheatham County, Inc. elected to merge with, and transferred its net assets to, the Organization. The effects of the merger on the Organization's financial position and results of operations are not significant.