

UNITED WAY OF
MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023 AND 2022

UNITED WAY OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS
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DECEMBER 31, 2023 AND 2022

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UNITED WAY OF MIDDLE TENNESSEE, INC.

BOARD OF TRUSTEES

FOR THE YEAR ENDED DECEMBER 31, 2023

Officers

James Weaver, Board Chair
Alberto Gonzales, Vice Chair and Government Relations Chair
John Crosslin, Immediate Past Board Chair & Succession Planning Committee Chair
Dave Walton, Campaign Committee Chair
Bob Dittus, OBICI Strategy Committee Chair
Brian Hassett, President & CEO
Junaid Odubeko, General Counsel
Kristi Morrow, Community Impact Investment Committee Chair
Doug Rohleder, Secretary
Blake Stinnette, Treasurer & Finance Committee Chair

Board Members and Members at Large

Lee Blank
Heather Rohan
Eric Stuckey
O'Neal Wiggins
Emily Weiss

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the United Way of Middle Tennessee, Inc. (the "Organization"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Way of Middle Tennessee, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

OTHER INFORMATION

Management is responsible for the other information included in the financial statements. The other information comprises the listing of the Board of Trustees on page i, the Change in Net Assets Reconciliation on page 34 and the Supporting Services IRS Form 990 Reconciliation on page 35 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2024 on our consideration of United Way of Middle Tennessee, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

KrajCPAs PLLC

Nashville, Tennessee
July 23, 2024

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 11,016,442	\$ 10,257,565
Pledges receivable, net	9,422,988	7,693,043
Grants receivable	4,493,301	6,174,200
Prepaid and other	195,519	169,601
Investments, at fair value	42,848,485	39,350,943
Property and equipment, net	499,646	442,780
Operating lease right-of-use assets	189,883	268,809
Cash surrender value of donor life insurance policies	<u>746,876</u>	<u>749,279</u>
TOTAL ASSETS	<u>\$ 69,413,140</u>	<u>\$ 65,106,220</u>
LIABILITIES		
Designations payable	\$ 2,797,717	\$ 1,989,769
Allocations payable	4,425,963	3,835,482
Grant payments due to subrecipients	2,815,179	3,744,970
Accounts payable, accrued expenses and other	981,383	817,821
Deferred revenue	1,195,382	1,562,484
Operating lease liabilities	189,883	268,809
Net pension liability	<u>428,945</u>	<u>346,827</u>
TOTAL LIABILITIES	<u>12,834,452</u>	<u>12,566,162</u>
NET ASSETS		
Without donor restrictions	34,106,187	31,489,377
With donor restrictions	<u>22,472,501</u>	<u>21,050,681</u>
TOTAL NET ASSETS	<u>56,578,688</u>	<u>52,540,058</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 69,413,140</u>	<u>\$ 65,106,220</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
PUBLIC SUPPORT AND REVENUE			
Gross campaign results - prior year	\$ 2,127,703	\$ -	\$ 2,127,703
Gross campaign results - released from restrictions	14,914,566	(14,914,566)	-
Total campaign results - prior year	17,042,269	(14,914,566)	2,127,703
Less donor designations	(3,558,819)	3,389,802	(169,017)
Less provision for uncollectible accounts	(620,410)	776,527	156,117
Net campaign revenue - prior year	12,863,040	(10,748,237)	2,114,803
Gross campaign results - current year	-	15,958,056	15,958,056
Less donor designations	-	(3,618,646)	(3,618,646)
Less provision for uncollectible accounts	-	(808,427)	(808,427)
Net campaign revenue - current year	-	11,530,983	11,530,983
Grants	23,516,830	-	23,516,830
Other contributions	1,771,768	-	1,771,768
Contribution of nonfinancial assets	596,405	-	596,405
Designations from other United Way organizations	57,653	-	57,653
Service fees	231,888	-	231,888
Endowment spending rate	800,000	-	800,000
Miscellaneous income	25,759	-	25,759
Non-endowment investment gain	4,257,740	54,414	4,312,154
Other net assets released from restrictions	106,373	(106,373)	-
TOTAL SUPPORT AND REVENUE	44,227,456	730,787	44,958,243
PROGRAM SERVICES			
Program investments and designations to direct service providers	15,002,863	-	15,002,863
Less donor designations	(3,558,819)	-	(3,558,819)
Net program investments	11,444,044	-	11,444,044
Community building	3,149,820	-	3,149,820
Grants and initiatives	22,785,138	-	22,785,138
TOTAL PROGRAM SERVICES	37,379,002	-	37,379,002
SUPPORTING SERVICES			
Management and general	1,719,640	-	1,719,640
Fundraising and marketing	2,542,986	-	2,542,986
TOTAL SUPPORTING SERVICES	4,262,626	-	4,262,626
TOTAL COSTS AND EXPENSES	41,641,628	-	41,641,628
Change in net assets before non-operating items	2,585,828	730,787	3,316,615
Endowment gain, net of endowment spending rate	-	691,033	691,033
Employee retirement plan gain	30,982	-	30,982
CHANGE IN NET ASSETS	2,616,810	1,421,820	4,038,630
NET ASSETS - BEGINNING OF YEAR	31,489,377	21,050,681	52,540,058
NET ASSETS - END OF YEAR	\$ 34,106,187	\$ 22,472,501	\$ 56,578,688

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE			
Gross campaign results - prior year	\$ 2,009,353	\$ -	\$ 2,009,353
Gross campaign results - released from restrictions	<u>15,215,207</u>	<u>(15,215,207)</u>	<u>-</u>
Total campaign results - prior year	17,224,560	(15,215,207)	2,009,353
Less donor designations	(3,554,123)	3,416,545	(137,578)
Less provision for uncollectible accounts	<u>(791,807)</u>	<u>762,718</u>	<u>(29,089)</u>
Net campaign revenue - prior year	<u>12,878,630</u>	<u>(11,035,944)</u>	<u>1,842,686</u>
Gross campaign results - current year	-	14,914,566	14,914,566
Less donor designations	-	(3,389,802)	(3,389,802)
Less provision for uncollectible accounts	-	<u>(776,527)</u>	<u>(776,527)</u>
Net campaign revenue - current year	-	10,748,237	10,748,237
Grants	26,158,576	-	26,158,576
Other contributions	433,809	-	433,809
Contribution of nonfinancial assets	309,957	-	309,957
Designations from other United Way organizations	60,752	-	60,752
Service fees	276,598	-	276,598
Endowment spending rate	739,000	-	739,000
Miscellaneous income	46,145	-	46,145
Non-endowment investment loss	(5,469,403)	(67,656)	(5,537,059)
Other net assets released from restrictions	<u>323,413</u>	<u>(323,413)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>35,757,477</u>	<u>(678,776)</u>	<u>35,078,701</u>
PROGRAM SERVICES			
Program investments and designations to direct service providers	12,681,465	-	12,681,465
Less donor designations	<u>(3,554,123)</u>	<u>-</u>	<u>(3,554,123)</u>
Net program investments	9,127,342	-	9,127,342
Community building	2,924,493	-	2,924,493
Grants and initiatives	<u>26,224,941</u>	<u>-</u>	<u>26,224,941</u>
TOTAL PROGRAM SERVICES	<u>38,276,776</u>	<u>-</u>	<u>38,276,776</u>
SUPPORTING SERVICES			
Management and general	1,503,198	-	1,503,198
Fundraising and marketing	<u>2,244,513</u>	<u>-</u>	<u>2,244,513</u>
TOTAL SUPPORTING SERVICES	<u>3,747,711</u>	<u>-</u>	<u>3,747,711</u>
TOTAL COSTS AND EXPENSES	<u>42,024,487</u>	<u>-</u>	<u>42,024,487</u>
Change in net assets before non-operating items	(6,267,010)	(678,776)	(6,945,786)
Endowment loss, net of endowment spending rate	-	(2,433,422)	(2,433,422)
Employee retirement plan gain	<u>359,332</u>	<u>-</u>	<u>359,332</u>
CHANGE IN NET ASSETS	(5,907,678)	(3,112,198)	(9,019,876)
NET ASSETS - BEGINNING OF YEAR	<u>37,397,055</u>	<u>24,162,879</u>	<u>61,559,934</u>
NET ASSETS - END OF YEAR	<u>\$ 31,489,377</u>	<u>\$ 21,050,681</u>	<u>\$ 52,540,058</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services			Total
	Community Building	Grants and Initiatives	Total Program Services	Management and General	Fundraising and Marketing	Total Supporting Services	
Salaries	\$ 1,692,633	\$ 2,050,308	\$ 3,742,941	\$ 1,065,254	\$ 1,663,959	\$ 2,729,213	\$ 6,472,154
Payroll taxes	116,121	150,326	266,447	65,667	117,249	182,916	449,363
Employee benefits	198,115	271,470	469,585	122,803	146,883	269,686	739,271
Total personnel costs	<u>2,006,869</u>	<u>2,472,104</u>	<u>4,478,973</u>	<u>1,253,724</u>	<u>1,928,091</u>	<u>3,181,815</u>	<u>7,660,788</u>
Professional and contract fees	246,845	1,240,308	1,487,153	100,817	69,306	170,123	1,657,276
Supplies	4,440	10,178	14,618	8,736	1,866	10,602	25,220
Telephone	28,210	51,586	79,796	27,428	26,107	53,535	133,331
Postage and shipping	2,946	2,731	5,677	1,907	3,290	5,197	10,874
Occupancy	136,876	66,905	203,781	36,269	37,904	74,173	277,954
Maintenance and equipment rental	68,882	17,603	86,485	29,228	40,750	69,978	156,463
Printing and promotional	191,915	124,283	316,198	12,888	176,543	189,431	505,629
Travel	24,849	48,046	72,895	4,778	7,183	11,961	84,856
Events and meetings	52,793	67,663	120,456	16,029	59,293	75,322	195,778
Dues and memberships	333,982	425	334,407	98,325	124,677	223,002	557,409
Miscellaneous	14,066	62,447	76,513	91,497	55,189	146,686	223,199
Total other operating expenses	<u>1,105,804</u>	<u>1,692,175</u>	<u>2,797,979</u>	<u>427,902</u>	<u>602,108</u>	<u>1,030,010</u>	<u>3,827,989</u>
Depreciation of property and equipment	<u>37,147</u>	<u>-</u>	<u>37,147</u>	<u>38,014</u>	<u>12,787</u>	<u>50,801</u>	<u>87,948</u>
Total operating expenses	<u>3,149,820</u>	<u>4,164,279</u>	<u>7,314,099</u>	<u>1,719,640</u>	<u>2,542,986</u>	<u>4,262,626</u>	<u>11,576,725</u>
Program grants to direct service providers	<u>-</u>	<u>18,620,859</u>	<u>18,620,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,620,859</u>
	<u>\$ 3,149,820</u>	<u>\$ 22,785,138</u>	<u>25,934,958</u>	<u>\$ 1,719,640</u>	<u>\$ 2,542,986</u>	<u>\$ 4,262,626</u>	<u>30,197,584</u>
Net program investments (shown separately on the statement of activities)			<u>11,444,044</u>				<u>11,444,044</u>
			<u>\$ 37,379,002</u>				<u>\$ 41,641,628</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Community Building</u>	<u>Grants and Initiatives</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising and Marketing</u>	<u>Total Supporting Services</u>	
Salaries	\$ 1,591,214	\$ 1,696,870	\$ 3,288,084	\$ 952,170	\$ 1,445,495	\$ 2,397,665	\$ 5,685,749
Payroll taxes	110,545	123,730	234,275	58,875	102,431	161,306	395,581
Employee benefits	162,822	217,777	380,599	114,692	114,011	228,703	609,302
Total personnel costs	<u>1,864,581</u>	<u>2,038,377</u>	<u>3,902,958</u>	<u>1,125,737</u>	<u>1,661,937</u>	<u>2,787,674</u>	<u>6,690,632</u>
Professional and contract fees	306,530	909,913	1,216,443	108,910	65,767	174,677	1,391,120
Supplies	3,597	41,662	45,259	7,013	5,694	12,707	57,966
Telephone	30,780	46,859	77,639	26,521	26,938	53,459	131,098
Postage and shipping	4,606	1,532	6,138	2,906	3,341	6,247	12,385
Occupancy	175,007	12,230	187,237	26,623	35,060	61,683	248,920
Maintenance and equipment rental	67,713	5,955	73,668	12,168	59,730	71,898	145,566
Printing and promotional	120,656	67,165	187,821	17,006	87,867	104,873	292,694
Travel	9,652	37,644	47,296	3,691	4,461	8,152	55,448
Events and meetings	49,404	55,469	104,873	13,746	150,602	164,348	269,221
Dues and memberships	205,297	301	205,598	64,631	81,645	146,276	351,874
Miscellaneous	49,523	1,667	51,190	84,745	48,684	133,429	184,619
Total other operating expenses	<u>1,022,765</u>	<u>1,180,397</u>	<u>2,203,162</u>	<u>367,960</u>	<u>569,789</u>	<u>937,749</u>	<u>3,140,911</u>
Depreciation of property and equipment	<u>37,147</u>	<u>-</u>	<u>37,147</u>	<u>9,501</u>	<u>12,787</u>	<u>22,288</u>	<u>59,435</u>
Total operating expenses	<u>2,924,493</u>	<u>3,218,774</u>	<u>6,143,267</u>	<u>1,503,198</u>	<u>2,244,513</u>	<u>3,747,711</u>	<u>9,890,978</u>
Program grants to direct service providers	<u>-</u>	<u>23,006,167</u>	<u>23,006,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,006,167</u>
	<u>\$ 2,924,493</u>	<u>\$ 26,224,941</u>	<u>29,149,434</u>	<u>\$ 1,503,198</u>	<u>\$ 2,244,513</u>	<u>\$ 3,747,711</u>	<u>32,897,145</u>
Net program investments (shown separately on the statement of activities)			<u>9,127,342</u>				<u>9,127,342</u>
			<u>\$ 38,276,776</u>				<u>\$ 42,024,487</u>

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ 4,038,630	\$ (9,019,876)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	87,948	59,435
Unrealized and realized (gain) loss on investments, net	(5,803,187)	7,231,481
Contribution related to acquisition, net of \$559,051 of cash acquired	124,439	-
(Increase) decrease in assets:		
Pledges receivable	(1,568,102)	929,729
Grants receivable	1,691,304	(798,423)
Prepaid and other	(22,809)	182,605
Cash surrender value of donor life insurance policies	2,403	(45,941)
Operating lease right-of-use assets	78,926	(63,738)
Increase (decrease) in liabilities:		
Designations payable	772,820	322,415
Allocations payable	384,020	-
Grant payments due to subrecipients	(929,791)	1,182,337
Accounts payable, accrued expenses and other	88,615	(397,211)
Deferred revenue	(367,102)	1,151,903
Operating lease liabilities	(78,926)	63,738
Net pension liability	82,118	(278,096)
TOTAL ADJUSTMENTS	(5,457,324)	9,540,234
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,418,694)	520,358
INVESTING ACTIVITIES		
Purchase of investments	(2,399,900)	(127,605)
Proceeds from sale of investments	4,705,545	2,111,729
Purchase of property and equipment	(128,074)	(118,058)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,177,571	1,866,066
NET INCREASE IN CASH	758,877	2,386,424
CASH - BEGINNING OF YEAR	10,257,565	7,871,141
CASH - END OF YEAR	\$ 11,016,442	\$ 10,257,565
OTHER CASH FLOW DISCLOSURES		
Cash payments on operating leases	\$ 83,970	\$ 70,958
NON-CASH TRANSACTIONS		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 332,547

See accompanying notes to financial statements.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

United Way of Middle Tennessee, Inc. (d/b/a United Way of Greater Nashville) (collectively, the “Organization” or “United Way”) is an exempt publicly supported organization that brings people and organizations together to create solutions for the community’s most complex issues in the areas of education, financial stability and health. The Organization is governed by a volunteer Board of Trustees composed of a cross-section of community and business leaders.

The Organization, whose antecedents date back to the Community Chest of Nashville formed in 1922, was incorporated as The United Givers Fund of Nashville and Davidson County on May 21, 1954.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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

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

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

Cash

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

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right to return of asset transferred or a right of release of a promisor's obligation to transfer assets exist. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

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

Campaign support pledged is recognized as an increase in net assets with donor restrictions until the year of investment. All contributions are considered available for use as approved by the Board of Trustees unless specifically restricted or designated by the donor. Campaign pledges designated by donors to specific agencies or other United Way organizations are considered to be agency-type transactions and are recorded as pledges receivable and designations payable on the statements of financial position and not included in net revenues or expenses of the Organization. Campaign expenses for annual campaigns are recognized in the period incurred. The Organization honors designations made by donors to each organization by distributing a proportionate share of receipts based on donor designations to each organization.

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

Grant revenues from government grant and contract agreements are recognized when qualifying expenses are incurred and conditions under the agreement are met. Government grant funds paid to subrecipient agencies are recognized in the period a liability is incurred for eligible expenditures by the subrecipient. Payments received in advance of conditions being met are recorded as deferred revenues on the statements of financial position.

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.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of money market, equity securities, fixed income mutual funds and equity mutual funds, and are carried at the fair market value on the last business day of the reporting period. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in the statements of activities. Investment income is reported net of investment fees.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at date of gift to the Organization. The United Way's policy is to capitalize purchases with a cost of \$500 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which is thirty years for buildings and range from three to ten years for building improvements, furniture and equipment.

Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Fair Value Measurements

The Organization classifies its investments based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available) and Level 3 (securities valued based on significant unobservable inputs).

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

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

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 (level 1) are determined by reference to quoted market prices and other relevant information generated by market transactions.

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.

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 Community Impact investments in agency programs, coordination and administration of Family Resource Centers, Financial Empowerment Centers, support of the 2-1-1 community information line, program investments in the Read to Succeed initiative, Imagination Library and other program investments.

Donor Designations - represents the gross amount of campaign funding designated by the donor to an eligible 501(c)(3) agency.

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

Community Building - includes activities funded by the annual campaign related to planning, oversight, administration of outcome-based investments and support for community initiatives.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued):

Grants and Initiatives - includes activities that deliver services funded by sources other than the annual campaign, such as the Ryan White/Community AIDS Partnership, Read to Succeed, 2-1-1, the Family Collective, the Nashville Alliance for Financial Independence, Financial Empowerment Centers, Raise Your Hand, Restore the Dream, Disaster Relief, SNAP employment and training, Partnership with the Department of Mental Health and Substance Abuse Services and American Rescue Plan Elementary and Secondary School Emergency Relief Fund.

Supporting Services:

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

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

Contributed Nonfinancial Assets

A large number of volunteers contribute substantial amounts of time toward the annual campaign and the various community activities. Contributed services are only recognized if the contributed service requires specialized skills, were provided by a donor who possesses such skills and would have been purchased by the Organization if not contributed. Other nonfinancial asset contributions are recognized in the financial statements at fair value when received.

Contributed nonfinancial assets recognized within the statements of activities comprise the following as of December 31:

	<u>2023</u>	<u>2022</u>
Office spaces	\$ 58,261	\$ 34,380
School supplies	136,620	79,484
Food	98,132	97,082
Advertising	161,892	99,011
Air conditioning units	<u>141,500</u>	<u>-</u>
	<u>\$ 596,405</u>	<u>\$ 309,957</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets (Continued)

The Organization is a grantee under the IRS' Volunteer Income Tax Assistance (VITA) program. To provide this service to the community, the Organization partners with various locations in its service area to temporarily house a VITA clinic at that site during tax preparation season (January - April). The value of the contributed office spaces is provided to United Way by the property owners. United Way does not take possession of the contributed office space, rather it is considered more of a short-term lease. The values vary depending on the duration the VITA site will be operated at that location, the amount of space needed, and other occupancy usage charges, such as, utilities, internet and cleaning services. The Organization recognizes the contributed office spaces as part of matching funds under the IRS' VITA grant.

The Organization hosts an annual drive called Stuff the Bus prior to the beginning of a new school year. The purpose of the drive is to collect school supplies to support students in six school districts (Metropolitan Nashville Public Schools, Williamson County Schools, Franklin Special School District, Robertson County Schools, Cheatham County Schools, and Hickman County School District) across five counties. Contents of each kit includes basic school supplies, such as, pencils, crayons, folders, notebooks, rulers, etc. The value of each kit is based on estimates of the average cost per donated item included in each kit excluding the costs incurred by the Organization to complete the kits and the value of kits received through a third party site that received monetary donations to provide completed kits.

The Organization hosts an annual drive called Give Thanks prior to the Thanksgiving holiday. The purpose of this drive is to collect Thanksgiving and supplemental food items to support families in need. The content of each food box includes non-perishable items, such as, canned vegetables, pasta, box mixes for other side dishes, etc. and a grocery store gift card to assist in purchasing perishable items. The value of each food box is based on estimates of the average cost per donated item included in each box excluding the costs incurred by the Organization to complete the box and monetary donations used to purchase the gift cards.

United Way Worldwide ("UWW") manages several relationships that provide donated airtime to run advertising that promotes the U.S. Network's shared mission on nationally broadcast television and radio. The valuation method used by UWW to arrive at the total value of contributed airtime is based on records provided by their media partners of the number of impressions recorded for the ads that appeared based on the National Association of Broadcasters standards for valuation of market impressions. UWW recommends that all United Ways record an allocation of airtime based upon a multiplication factor that is provided to local United Ways each year. The product of the provided multiplication factor and the Organization's annual dues is the estimated fair value for contributed advertising received.

The Organization facilitated a donation event with a community partner and vendor to provide 500 room air conditioning units to families in need of assistance in the surrounding communities of Robertson County, TN.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

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

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

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 UWW's Membership Requirements as outlined in its publication titled Cost Deduction Requirements for Membership Requirement M. The Organization is committed to complying with that requirement in assessing these service fees. Amounts designated by donors are presented at the gross amount in the statement of activities prior to such charges.

Printing and Promotional

Advertising costs are expensed as incurred. Included in printing and promotional expense is an allocated value of donated media advertising of \$161,892 in 2023 and \$99,011 in 2022, respectively.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

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 statements of activities.

Use of Estimates

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

Income Taxes

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

The Organization files a U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there were no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2023 and July 23, 2024, 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, 2023 AND 2022

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization’s historical accounting treatment under ASC Topic 840, *Leases*.

The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of \$155,315 at January 1, 2022. The adoption of the new lease standard did not materially impact changes in net assets or cash flows and did not result in a cumulative-effect adjustment to opening net assets.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 3 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 11,016,442	\$ 10,257,565
Pledges receivable, net	9,422,988	7,693,043
Grants receivable	4,493,301	6,174,200
Operating investments	8,166,907	7,156,481
Endowment spending-rate distribution and appropriations	822,000	800,000
Purpose-restricted net assets	(606,802)	(669,514)
Deferred revenue	(1,195,382)	(1,562,484)
Designations payable	<u>(2,797,717)</u>	<u>(1,989,769)</u>
	<u>\$ 29,321,737</u>	<u>\$ 27,859,522</u>

The Organization has both board-designated and donor-restricted assets. With the exception of deferred grant revenue, designations payable and purpose-restricted net assets, the donor-restricted assets aren't limited to use and are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Organization has unappropriated gains on an endowment, inclusive of the corpus. The endowment spending-rate has been included within the Organization's financial assets, as it is for use against operating expenditures and liquidity.

The Organization has an operating reserve fund within the investments on the statements of financial position. The purpose of the fund is to help ensure the long-term financial stability of the Organization and position it to respond to varying economic conditions, man-made or natural disasters or changes affecting the Organization's financial position, as well as providing the organization the ability to continuously carry out the mission. The target amount to be attained and maintained is 3 months of annual operating expenditures, inclusive of Community Impact Funding, but excluding grant sub-recipient and other grant-related funding. As of December 31, 2023 and 2022, the balance of this fund was \$8,166,907 and \$7,156,481, respectively. This fund, established by the Board of Trustees may be drawn upon, if necessary, to meet unexpected needs or board-designated funding.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 3 - AVAILABILITY AND LIQUIDITY (CONTINUED)

In January 2021, the Organization received an anonymous, unrestricted gift in the amount of \$20 million. Plans for program funding and implementation took place in 2021, and investment into the community began in 2022 and will continue in subsequent years. Upon receipt of the grant, the Organization invested the proceeds of the grant. As these funds are designated for strategic initiatives, it is not included in financial assets available for general expenditure.

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

NOTE 4 - CONCENTRATION OF CREDIT RISK

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

Securities held in a broker/dealer account are insured by the Securities Investor Protection Corporation (“SIPC”), up to \$500,000 per broker/dealer, in certain circumstances such as fraud or failure of the institution. Accounts held by 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.

Investments held in two and one securities amounted to \$16,375,944 and \$7,692,031 and approximated 38% and 20% of total investments at December 31, 2023 and 2022, respectively.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Current year campaign	\$ 9,197,137	\$ 7,491,026
Prior years' campaigns	2,558,743	2,851,009
Other pledge receivables	<u>88,700</u>	<u>98,700</u>
	<u>11,844,580</u>	<u>10,440,735</u>
Less allowance and discount on pledges:		
Current year campaign allowance	989,481	902,810
Prior years' campaigns allowances	1,419,907	1,832,678
Discount on pledge receivables	<u>12,204</u>	<u>12,204</u>
	<u>2,421,592</u>	<u>2,747,692</u>
Total pledges receivable, net	<u>\$ 9,422,988</u>	<u>\$ 7,693,043</u>

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

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 6 - 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, 2023 and 2022:

	<u>2023</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Short-term investments	\$ 2,463,599	\$ -	\$ -	\$ 2,463,599
Equity securities:				
U.S. equities	1,681,521	-	-	1,681,521
Large cap funds	2,236,720	-	-	2,236,720
Mid cap funds	2,251,966	-	-	2,251,966
Bond funds	610,254	-	-	610,254
Equity mutual funds	21,227,442	-	-	21,227,442
Fixed income mutual funds	12,376,983	-	-	12,376,983
Total investments at fair value	<u>\$ 42,848,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,848,485</u>
	<u>2022</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Short-term investments	\$ 4,341,603	\$ -	\$ -	\$ 4,341,603
Equity securities:				
U.S. equities	1,862,781	-	-	1,862,781
Large cap funds	3,269,329	-	-	3,269,329
Mid cap funds	461,845	-	-	461,845
Small cap funds	1,812,840	-	-	1,812,840
Bond funds	502,084	-	-	502,084
Equity mutual funds	16,183,255	-	-	16,183,255
Fixed income mutual funds	10,917,206	-	-	10,917,206
Total investments at fair value	<u>\$ 39,350,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,350,943</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 272,715	\$ 272,715
Building and improvements	1,773,792	1,699,895
Furniture and equipment	<u>1,389,202</u>	<u>1,297,824</u>
	3,435,709	3,270,434
Less accumulated depreciation	<u>2,936,063</u>	<u>2,827,654</u>
Total property and equipment, net	<u>\$ 499,646</u>	<u>\$ 442,780</u>

NOTE 8 - LEASES

The Organization leases its office space and equipment under operating lease agreements that have initial terms ranging from 2 to 5 years. Some leases may include one or more options to renew, generally at the Organization's sole discretion. This option to extend the lease is included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term.

The components of lease expense are as follows for the year ended December 31, 2023:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 83,970	\$ 68,618
Short-term lease cost	<u>2,340</u>	<u>2,340</u>
Total lease cost	<u>\$ 86,310</u>	<u>\$ 70,958</u>

Additional information related to leases is as follows as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term - operating leases	2.38 years	3.25 years
Weighted-average discount rate - operating leases	2.24%	2.19%

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 8 - LEASES (CONTINUED)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2023:

Year Ending December 31,

2024	\$	81,137
2025		73,876
2026		<u>40,050</u>
Total lease payments		195,063
Less imputed interest		<u>(5,180)</u>
	\$	<u>189,883</u>

NOTE 9 - EMPLOYEE RETIREMENT PLANS

The Organization sponsors a Section 403(b) retirement plan. The plan requires the Organization to match 50% of an employee's deferral amount up to a maximum of 3% of each eligible employee's annual compensation. Employees are eligible to participate in the plan starting the first day of the month following employment. Participants' employer match accounts become vested incrementally over three years of service. The Organization may also make discretionary contributions. Total employer contributions to this plan were \$121,288 in 2023 (\$110,413 in 2022).

The Organization had a defined benefit pension plan ("Plan") covering substantially all salaried employees who had completed one year of service and were at least 21 years of age. During 2011, the Plan adopted an amendment that froze the Plan effective December 31, 2011, thus no additional benefits will accrue under the Plan. No employee is eligible to become a participant in the Plan on or after December 31, 2011, and all participants in the Plan became fully vested as of December 31, 2011. There are no estimated contributions to be made to the Plan in 2024 for the 2023 Plan year.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 9 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Benefit obligation	\$ (2,177,418)	\$ (2,119,268)
Fair value of plan assets	<u>1,748,473</u>	<u>1,772,441</u>
Net pension liability - end of year	<u>\$ (428,945)</u>	<u>\$ (346,827)</u>

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

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

	<u>2023</u>	<u>2022</u>
Net gain previously not recognized in net assets without donor restriction and in periodic pension costs	\$ <u>(30,982)</u>	\$ <u>(359,332)</u>
Total employee retirement plan gain	<u>\$ (30,982)</u>	<u>\$ (359,332)</u>

	<u>2023</u>	<u>2022</u>
Net gain previously not recognized in net assets without donor restriction and in periodic pension costs	\$ <u>(30,982)</u>	\$ <u>(359,332)</u>
Total employee retirement plan gain	<u>\$ (30,982)</u>	<u>\$ (359,332)</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 9 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

	2023	2022
Benefit obligation - beginning of year	\$ 2,119,268	\$ 2,451,326
Service cost	26,361	5,024
Interest cost	88,904	58,170
Change in assumption	(5,247)	(346,052)
Actuarial loss	-	16,079
Benefits paid (including expense charges)	(51,868)	(65,279)
 Benefit obligation - end of year	 \$ 2,177,418	 \$ 2,119,268
	 2023	 2022
Fair value of plan assets - beginning of year	\$ 1,772,441	\$ 1,826,403
Actual return on plan assets	27,900	11,317
Benefits paid (including expense charges)	(51,868)	(65,279)
 Fair value of plan assets - end of year	 \$ 1,748,473	 \$ 1,772,441

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

	Fair Value at December 31, 2023	Fair Value at December 31, 2022	Unfunded Commitment at December 31, 2023	Redemption Frequency*	Redemption Notice Period*
General Account	\$ 1,748,473	\$ 1,772,441	\$ -	Immediate	None

*Information noted in these columns is the same for the investment for 2023 and 2022.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 9 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

The General Account investment policy stresses capital adequacy, investing in high-quality assets, liquidity and properly matching assets and liabilities. Significant investment strategies of the General Account include high quality corporate and mortgage-based investment grade bonds that provide outstanding liquidity to permit payment of benefits to policyholders as required.

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

Year Ending December 31,

2024	\$	706,000
2025		217,000
2026		126,000
2027		88,000
2028		40,000
2029-2033		<u>718,000</u>
	\$	<u>1,895,000</u>

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

	<u>2023</u>	<u>2022</u>
Service cost	\$ 26,361	\$ 5,024
Interest cost	88,904	58,170
Expected return on plan assets	(27,900)	(53,813)
Actuarial losses recognized	<u>25,735</u>	<u>71,855</u>
Total recognized in net period pension cost	<u>\$ 113,100</u>	<u>\$ 81,236</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 9 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

	<u>January 1, 2024</u>	<u>Estimated Amounts to be Reclassified as Net Period Benefit Cost</u>
Service cost	\$ -	\$ -
Expected return on plan assets	-	-
Actuarial losses recognized	<u>753,010</u>	<u>(50,025)</u>
 Total recognized in net period pension cost	 <u>\$ 753,010</u>	 <u>\$ (50,025)</u>

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

	<u>2023</u>	<u>2022</u>
Discount rate	4.65%	4.85%
Expected return on plan assets	3.50%	3.00%
Rate of compensation increase	0.00%	0.00%

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

	<u>2023</u>	<u>2022</u>
Discount rate	4.65%	4.85%

The expected long-term rate of return on plan assets assumption of 3.50% and 3.00% as of December 31, 2023 and 2022, respectively, was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - *Selection of Economic Assumptions for Measuring Pension Obligations*. Based on the Organization’s investment policy for the pension plan in effect as of the beginning of each year, a best estimate range was determined for both the real rate of return (net of inflation) and for the inflation based on the Organization’s historic 30-year period rolling averages. The rate is reviewed annually and adjusted as appropriate to reflect changes in the expected long-term market performance or in the targeted asset allocation ranges.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 10 - ENDOWMENT FUNDS

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Financial accounting standards also require additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Interpretation of applicable law - The Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In the absence of such donor restrictions, the Organization would follow UPMIFA and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA). In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of the investments
- The investment policies of the Organization

Spending policy - The Organization has a policy of appropriating for distribution each year up to 5% of the three-year moving average of the quarterly endowment market value at December 31, 2023 and 2022.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 10 - 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 deem 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 endowment's 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 similar managers.

Asset allocations are targeted at 75% equities, 20% fixed income and 5% alternative investments. Limits are in place as to the amount of stock that is invested in a single company to reduce the potential impact of losses on individual investments. Investment allocations are spread between cash equivalents, fixed income portfolios, equities and alternative investments.

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 10 - ENDOWMENT FUNDS (CONTINUED)

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

	2023		
	Board-Designated Assets Without	Assets With	Total
	<u>Donor Restrictions</u>	<u>Donor Restrictions</u>	
Endowment net assets, January 1	\$ 5,029,195	\$ 9,704,713	\$ 14,733,908
Contributions	282,703	-	282,703
Investment income	158,312	271,095	429,407
Investment fees	(38,244)	(29,238)	(67,482)
Net appreciation	639,699	1,101,176	1,740,875
Amount appropriated for expenditure	<u>(148,000)</u>	<u>(652,000)</u>	<u>(800,000)</u>
Endowment net assets, December 31	<u>\$ 5,923,665</u>	<u>\$ 10,395,746</u>	<u>\$ 16,319,411</u>
	2022		
	Board-Designated Assets Without	Assets With	Total
	<u>Donor Restrictions</u>	<u>Donor Restrictions</u>	
Endowment net assets, January 1	\$ 6,025,886	\$ 12,138,135	\$ 18,164,021
Contributions	127,602	-	127,602
Investment income	113,486	168,148	281,634
Investment fees	(39,118)	(30,338)	(69,456)
Net depreciation	(1,068,661)	(1,962,232)	(3,030,893)
Amount appropriated for expenditure	<u>(130,000)</u>	<u>(609,000)</u>	<u>(739,000)</u>
Endowment net assets, December 31	<u>\$ 5,029,195</u>	<u>\$ 9,704,713</u>	<u>\$ 14,733,908</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Passage of time restrictions:		
Contributions to support:		
Allocations and operations of future periods	\$ 11,393,457	\$ 10,589,958
Impacting the Future of a Community fund	<u>76,496</u>	<u>86,496</u>
Total passage of time restrictions	<u>11,469,953</u>	<u>10,676,454</u>
Specific purpose restrictions:		
Restore the Dream fund	437,181	382,767
Imagination Library	137,526	158,279
Other program support	<u>32,095</u>	<u>128,468</u>
Total specific purpose restrictions	<u>606,802</u>	<u>669,514</u>
Endowments:		
Endowment corpus	7,600,605	7,600,605
Net unappropriated gains on endowment corpus	<u>2,795,141</u>	<u>2,104,108</u>
Total endowments	<u>10,395,746</u>	<u>9,704,713</u>
	<u>\$ 22,472,501</u>	<u>\$ 21,050,681</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 12 - ACQUISITION

Effective January 31, 2023, United Way of Middle Tennessee, Inc. entered into an agreement to assume the operations and assets of United Way of Greater Clarksville Region, Inc. Under ASC 958, since United Way of Middle Tennessee, Inc. obtained control over the United Way of Greater Clarksville Region, the transaction is considered an acquisition and accounted for under the acquisition method of accounting. The fair values of United Way of Greater Clarksville Region assets and liabilities at January 31, 2023 were as follows:

Cash	\$ 559,051
Pledges receivable, net	161,843
Grants receivable	10,405
Prepaid and other	3,109
Equipment	16,740
Designations payable	(35,128)
Allocations payable	(206,461)
Accounts payable, accrued expenses and other	<u>(74,947)</u>
Net assets acquired	<u>\$ 434,612</u>

United Way of Middle Tennessee, Inc. transferred no consideration in the transaction; therefore, the net assets acquired is recorded as other contributions in the statement of activities.

NOTE 13 - SUBSEQUENT EVENT

Effective January 1, 2024, the Organization entered into an agreement to assume the operations, assets, and liabilities of Hands on Nashville. Under ASC 958, since the Organization obtained control over Hands on Nashville, the transaction is considered an acquisition and accounted for under the acquisition method of accounting. The acquired assets are approximately \$1,492,000 and consist primarily of cash, accounts receivable and prepaid expenses. The acquired liabilities are approximately \$242,000 and consist primarily of accounts payable and accrued expenses. The acquired net assets are approximately \$1,250,000.

ADDITIONAL INFORMATION

UNITED WAY OF MIDDLE TENNESSEE, INC.

CHANGE IN NET ASSETS RECONCILIATION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The purpose of this schedule is to reconcile the change in net assets for the years ended December 31, 2023 and 2022 with supplemental information contributing to the change in net assets.

United Way of Greater Nashville received a \$20 million anonymous unrestricted gift in 2021. With the donor not imposing a restriction, the gift was recognized in its entirety in 2021 with the spend/investment of these funds to occur in subsequent years. The table below reconciles the change in net assets against the strategic utilization of this unrestricted gift, one-time spending related to funds collected in previous years, as well as market fluctuations affecting the investment portfolio.

	<u>2023</u>	<u>2022</u>
Change in Net Assets	\$ 4,038,630	\$ (9,019,876)
Strategic Utilization of Unrestricted Funds		
Utilization of Unrestricted Grant Award	2,248,521	1,208,000
Spending Related to Funds Collected in Previous Years		
COVID Emergency Response Fund Close Out	150,000	250,500
Restore the Dream Disaster Close Out	30,000	60,750
Welcoming Nashville Fund	-	43,863
Investment Gains (Losses) & Endowment Spending Rate	<u>5,003,187</u>	<u>(7,970,481)</u>
Reconciled Change in Net Assets	<u>\$ 1,463,964</u>	<u>\$ 513,718</u>

UNITED WAY OF MIDDLE TENNESSEE, INC.

SUPPORTING SERVICES IRS 990 RECONCILIATION

FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022

Supporting services costs include management and general, financial and marketing and dues to United Way Worldwide. Those costs are presented in detail in the statement of functional expenses.

United Way Worldwide has adopted a standard methodology for preparing the IRS Form 990 and utilizing it as the basis for calculating the “overhead rate.” The overhead rate is calculated as the percentage of total supporting services costs to total revenues. The principal differences between total revenues reported per the financial statements and the Form 990 is the inclusion of donor designations, endowment gains (losses), employee retirement plan losses and unrealized gains (losses) on investments. Form 990 allows for reporting the total campaign results as revenue.

	<u>2023</u>	<u>2022</u>
Total support and revenue - statement of activities	\$ 44,958,243	\$ 35,078,701
Donor designations	3,787,663	3,527,380
Unrealized (gain) loss on investments, net	(4,658,850)	6,809,897
Donated services and facilities use	(161,892)	(133,391)
Employee retirement plan gain	30,982	359,332
Endowment gains (losses), excluding of spending rate	<u>691,033</u>	<u>(2,433,422)</u>
Total support and revenue - IRS Form 990	<u>\$ 44,647,179</u>	<u>\$ 43,208,497</u>
Total supporting services cost - IRS Form 990	4,262,626	3,747,711
Percentage of IRS Form 990 total support and revenue	9.5%	8.7%