



A partner of The United Ways
of Middle Tennessee, Inc.

250 Venture Circle

P.O. Box 280420

Nashville, Tennessee 37228

phone: (615) 255-8501

fax: (615) 780-2426

www.unitedwaynashville.org

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2003 JUN -5 AM 9:51

T.R.A. DOCKET ROOM

May 30, 2003

Chairman Sara Kyle
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Dear Chairman Kyle:

United Way of Metropolitan Nashville has partnered with Crisis Intervention Center and First Call for Help in Rutherford County to create a 2-1-1 service for citizens in Middle Tennessee. Our final business plan is complete and we are ready to petition the Tennessee Regulatory Authority for N11 allocation.

The enclosed petition addresses all TRA requirements and includes our consolidated financial statements and budget for the first two years of operations. If you have any questions please contact Doug Fluegel, 2-1-1 Project Manager, at 780-2430.

Sincerely,

Mark H. Desmond
President & CEO

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JUN 02 2003

SARA KYLE, COMMISSIONER
TN REGULATORY AUTHORITY

03-00383





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SARA KYLE, COMMISSIONER
TN REGULATORY AUTHORITY

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2003 JUN -5 AM 9:51

T.R.A. DOCKET ROOM

June 4, 2003

Chairman Sara Kyle
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Dear Chairman Kyle:

This letter accompanies several items related to United Way of Metropolitan Nashville's petition for 2-1-1: a check for \$25; nine copies of the petition; and a letter of recommendation from Ron Reid of Tennessee Alliance of Information & Referral Systems.

Thank you for your consideration, and please feel free to call me with any questions related to this petition at 780-2430.

Sincerely,

Doug Fluegel
2-1-1 Project Manager
United Way of Metropolitan Nashville



BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

RECEIVED

2003 JUN -5 AM 9:57

IN RE:

PETITION OF UNITED WAY OF
METROPOLITAN NASHVILLE FOR
ALLOCATION OF AN N11 NUMBER
(ABBREVIATED DIALING CODE)

I.R.A. DOCKET ROOM

TRA Docket No.

03-00383

PETITION FOR ALLOCATION OF AN N11 NUMBER

The United Way of Metropolitan Nashville ("Petitioner") respectfully submits this Petition for Allocation of an N11 Number (211) for the purpose of providing health and human services information and referral to citizens in Middle Tennessee.

INTRODUCTION

1. Petitioner is a charitable not-for-profit corporation, qualified as tax exempt under Section 501(c)(3) of the Internal Revenue Code (the "Code"), with its principal place of business in Nashville, Tennessee.
2. Petitioner funds local social service programs conducted by community service organizations in the Middle Tennessee region that are qualified as tax exempt under Section 501(c)(3) of the Code. Allocation of United Way funding is primarily determined by local volunteers who assess need priority among potential recipients of United Way funding. There are currently 186 programs in 87 agencies that receive funding from United Way of Metropolitan Nashville.

NUMBERING RESOURCE AS TO WHICH ALLOCATION IS SOUGHT

3. Petitioner seeks allocation of the 211 abbreviated dialing code for Davidson County, Rutherford County, Williamson County, Sumner County, Wilson County, Robertson County, Cheatham County, Dickson County, Cannon County, and Trousdale County (the "Proposed Coverage Area").

STANDARD FOR GRANT OF PETITION

4. In its July 31, 2000 Order (the "FCC Order"), CC Docket No. 92-105, ¶ 2, the Federal Communications Commission (the "FCC") expressly reserved the 211 abbreviated dialing code for "community information and referral services."

5. Pursuant to the October 20, 1993 Order (the "TRA Order"), Docket No. 92-13892, issued by the Tennessee Public Service Commission, the following factors and criteria are used to select the most qualified applicant for an allocation of N11 number resources:¹ (i) overall financial fitness, both historical and future; (ii) overall ability (technical ability and otherwise) and willingness to provide service on a permanent and continuous basis; (iii) ability and willingness to abide by Tennessee Regulatory Authority ("TRA") rules and policies; (iv) rates, services and collection practices to be utilized by petitioner in the provision of N11 service; (v) extent and duration of petitioner's service to the local community included in the N11 allocation; (vi) anticipated future uses by the community of the proposed service to be offered by the petitioner and the petitioner's overall experience providing information to the community to be served; and (vii) the type of information services to be provided by petitioner through an abbreviated dialing code, and its relative value to the public and local community. In addition, a petitioner for allocation of N11 number resources must agree to abide by the terms, conditions and rates for N11 service, which shall not exceed those set forth in the applicable Tariff.

REASONS SUPPORTING ALLOCATION OF N11

6. Petitioner seeks to utilize the 211 abbreviated dialing code for provision of community information and referral services, pursuant to the TRA Order and FCC Order.

¹ See July 14, 2000 TRA Order, Docket No. 99-00743, reallocating 211 abbreviated access code to Knoxville Information and Referral, Inc. and applying factors pursuant to the TRA Order.

7. Although, pursuant to TRA Docket No. 98-00554, the 211 abbreviated access code for the Nashville metropolitan exchange had been assigned to National Telephone Enterprises for voice personal dating services, the subsequent FCC Order effectively recalls that assignment, reserving the 211 abbreviated access code for "community information and referral services." Such "community information and referral services" specifically are the type of services that Petitioner proposes to provide through the abbreviated access number.

8. Petitioner satisfies the criteria set forth in the TRA Order:

(a) Overall Financial Fitness, Both Historical and Future. Beginning in 1922 the Nashville community joined together to raise funds to support the efforts of non-profit agencies that provide help to those in need in our community. In 1954 this community effort was incorporated as the United Way, which raised slightly over \$1 million in that year's campaign. Last year, the United Way of Metropolitan Nashville raised in excess of \$23 million. The organization currently (2001 audit) has unrestricted net assets in excess of \$900,000 and more than \$4 million in endowment funds. A multi-year strategic plan is in place that will continue this aggressive growth in fund raising to support priority programs that serve people in need in the Nashville area community. United Way has the active support of key business and community leaders on its Board of Trustees and committees to insure continued future financial success of the organization. In addition, Petitioner will solicit additional funding for the operation of the abbreviated access number service from public sources and corporate and individual donors. Petitioner's 2001 consolidated financial statements and proposed budget for 211 service for the first and second years of operation are attached hereto as Exhibits A and B, respectively.

(b) Overall Ability (Technical Ability and Otherwise) and Willingness to Provide Service on a Permanent and Continuous Basis. If allocated an abbreviated dial code, Petitioner will

provide N11 service on a permanent and continuous basis. To that end, Petitioner intends to retain *Crisis Intervention Center, Inc.* to provide ongoing 24-hour, 7-day per week, 365-days per year abbreviated access number service coverage and First Call for Help to provide coverage for calls originating in Rutherford and Cannon Counties (First Call for Help is open Monday – Friday, 8:00 AM – 5:00 PM, non-holidays; evening, weekend, and holiday calls from Rutherford and Cannon Counties will be answered by Crisis Intervention Center). The Crisis Intervention Center has a long-standing relationship with United Way to provide information and referral services for people in the Nashville area community. The Crisis Intervention Center has been serving Nashville since 1968. The Center's core services are 24-hour crisis counseling, suicide prevention and information referral by phone. The Center handles over 50,000 calls a year from people needing Information and Referral services or crisis counseling. The Crisis Intervention Center is certified by the American Association of Suicidology, and is a member of the Alliance of Information and Referral Systems (AIRS). The Crisis Intervention Center's programs are provided by 44 employees and over 75 volunteers. The Crisis Intervention Center employees will process calls received pursuant to written guidelines for the handling of inquiries. In addition, The Crisis Intervention Center will provide regular reports to Petitioner and its Board of Directors regarding abbreviated access number operations. First Call For Help is a comprehensive information and referral service of United Way of Rutherford County. Operating since 1998, the program serves residents of Rutherford and Cannon counties. Services are provided by a staff of 5 (3 FTE's) and 5 volunteers. First Call For Help is an AIRS affiliate and the director is a certified Information and Referral Specialist. First Call For Help receives approximately 7,500 calls per year.

(c) Ability and Willingness to Abide by TRA Rules and Policies. Petitioner will comply with all present and future rules promulgated by the TRA, including without limitation those applicable to abbreviated access dialing service.

(d) Rates, Services and Collection Practices to Be Utilized by Petitioner in the Provision of N11 Service. As more particularly described in Paragraph 1, above, Petitioner is a not-for-profit entity committed to providing free community information and referral services to the population of the Proposed Coverage Area. Petitioner proposes to pay all charges incurred in connection with the assignment and utilization of the abbreviated access code and the costs of ongoing operation of the abbreviated access number service, other than any applicable user-generated charges resultant from access to the service by cellular phone.

(e) Extent and Duration of Petitioner's Service to the Local Community Included in the N11 Allocation. Since 1954, Petitioner has been committed to community service in the metropolitan Nashville area and has developed a close relationship with social service providers in the Proposed Coverage Area in a cooperative effort to enhance and improve the delivery of beneficial services to the community. Formed in 1954, Petitioner's mission is to "bring people and organizations together to create a community where individuals, families, and neighborhoods thrive." The provision and support of a 211 service for Middle Tennessee residents aligns with the mission and historical service commitment of United Way.

(f) Anticipated Future Uses by the Community of the Proposed Service to Be Offered by the Petitioner and the Petitioner's Overall Experience Providing Information to the Community to Be Served. Petitioner has a long history of providing information to the metropolitan Nashville community. Each year United Way publishes a "Guide to Funded Services" that provides descriptive information about the services offered by agencies and programs that receive United

Way dollars. Through the annual workplace campaign, 270,000 people receive information through campaign literature (that includes the Information and Referral Helpline number), videos, advertising and speaker presentations. United Way also provides program outcome data to its donors and stakeholders that demonstrate changes in peoples' lives as a result of the programs supported by United Way. All organizational financial information is freely available to the public and United Way participates in an independent public audit each year. The organization has a web site where information is posted and any person may contact United Way via e-mail or telephone for information. Moreover, Petitioner anticipates that its ongoing strong relationship with social services and community information concerns will continue. Because the availability of a uniform telephone access number for community information and social services would significantly reduce confusion or frustration regarding services available in the metropolitan Nashville area, while enhancing the likelihood that people in need of assistance will be directed to those specific services that would be most appropriate for and responsive to their needs, it is anticipated that a significant number of Middle Tennesseans will utilize the abbreviated access code system proposed by Petitioner. Petitioner expects between 50,000 and 65,000 calls during the first twelve months of operation of the 211 service.

(g) The Type of Information Services to Be Provided by Petitioner Through an Abbreviated Dialing Code, and its Relative Value to the Public and Local Community. Through the abbreviated access number service, Petitioner would serve population of the Proposed Coverage Area, providing free information regarding community service organizations and referral guidance to individuals seeking social services and other assistance. A 211 service would tend to reduce any confusion among citizens of the Proposed Coverage Area concerning the availability of social and community services from the thousands of community service organizations located therein. Thus,

through the institution of Petitioner's abbreviated access number service, individuals in need of social or community service would have access to an increased number of social services which would be made available on a more uniform basis.

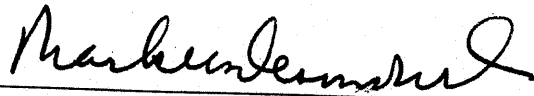
(h) Agreement to Abide by Terms, Conditions and Rates for N11 Service. Petitioner agrees to abide fully by the terms, conditions and rates for N11 service set by the TRA and embodied in the Tariff. As described above in Paragraph 8(d), Petitioner expects to bear all costs of operating the N11 service, other than cellular phone connection and time charges. Therefore Petitioner's N11 rates would not exceed those set forth in the applicable Tariff.

CONCLUSION

9. Petitioner respectfully requests that the TRA allocate the 211 abbreviated dialing code for the Proposed Coverage Area.

Respectfully submitted,

Date: May 22, 2003



Mark H. Desmond, President & CEO
United Way of Metropolitan Nashville
250 Venture Circle
Nashville, Tennessee 37228
(615) 780-2432

Exhibit A: Consolidated Financial Statements



1900 Nashville City Center
511 Union Street
Nashville, TN 37219-1735

Independent Auditors' Report

The Board of Trustees
The United Way of Metropolitan Nashville:

We have audited the accompanying consolidated statements of financial position of The United Way of Metropolitan Nashville (the Organization) as of December 31, 2001 and 2000, and the related consolidated statements of unrestricted activities, changes in net assets, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The United Way of Metropolitan Nashville as of December 31, 2001 and 2000, and their changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

June 10, 2002



KPMG LLP KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

THE UNITED WAY OF METROPOLITAN NASHVILLE

Consolidated Statements of Financial Position

December 31, 2001 and 2000

Assets	2001	2000
Cash and cash equivalents	\$ 5,900,585	4,378,097
Investments, at fair value	9,488,387	8,188,581
Pledges receivable, net	16,872,034	17,308,376
Grant receivable	342,483	135,480
Prepaid expenses	17,372	17,184
Prepaid allocations	2,660,237	1,691,836
Property and equipment, net	945,280	949,380
Prepaid pension costs	634,537	509,619
Cash surrender value of life insurance policies	552,730	489,400
Other assets	267,506	459,834
	<u>\$ 37,681,151</u>	<u>34,127,787</u>
Liabilities and Net Assets		
Campaign funds distributable to agencies	\$ 17,226,830	18,155,930
Deferred revenue	935,411	—
Accounts payable and accrued expenses	886,103	533,397
Total liabilities	<u>19,048,344</u>	<u>18,689,327</u>
Commitments and contingencies		
Net assets:		
Unrestricted	903,265	1,582,090
Temporarily restricted	13,622,135	9,748,963
Permanently restricted	4,107,407	4,107,407
Total net assets	<u>18,632,807</u>	<u>15,438,460</u>
	<u>\$ 37,681,151</u>	<u>34,127,787</u>

See accompanying notes to consolidated financial statements.

THE UNITED WAY OF METROPOLITAN NASHVILLE

Consolidated Statements of Unrestricted Activities

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Operating revenue:		
Public support:		
Release of time restriction on prior year pledges	\$ 9,251,328	10,413,636
Other public support	16,232,274	13,690,042
Less designated pledges passed through to agencies	(8,548,891)	(8,787,630)
Less provision for uncollectible pledges	(1,777,477)	(1,778,137)
Government grants	937,014	575,480
Net public support	<u>16,094,248</u>	<u>14,113,391</u>
Other operating revenue:		
Interest income	135,410	189,064
Endowment spending rate	447,400	460,000
Financial advisory fees	108,876	101,482
Miscellaneous	234,502	304,564
Total other operating revenue	<u>926,188</u>	<u>1,055,110</u>
Total operating revenue	<u>17,020,436</u>	<u>15,168,501</u>
Operating expenses:		
Program services:		
Community building	10,952,617	10,293,148
Grants and initiatives	1,767,682	1,559,002
Total program services	<u>12,720,299</u>	<u>11,852,150</u>
Supporting services:		
Management and general	1,522,070	1,356,883
Fundraising and marketing	1,781,105	1,820,311
Building	502,232	456,163
Total supporting services	<u>3,805,407</u>	<u>3,633,357</u>
Total operating expenses	<u>16,525,706</u>	<u>15,485,507</u>
Change in unrestricted net assets from operating activities	494,730	(317,006)
Nonoperating activities – endowment gains (losses) reduced by the spending rate	<u>(1,173,555)</u>	<u>(342,234)</u>
Change in unrestricted net assets	<u>\$ (678,825)</u>	<u>(659,240)</u>

See accompanying notes to consolidated financial statements.

THE UNITED WAY OF METROPOLITAN NASHVILLE

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Unrestricted net assets:		
Net assets released from restrictions	\$ 9,251,328	10,413,636
Total other public support and government grants	6,842,920	3,835,235
Total other operating revenue	926,188	1,055,110
Total expenses	(16,525,706)	(15,620,987)
Endowment gains (losses) reduced by the spending rate	(1,173,555)	(342,234)
Change in unrestricted net assets	(678,825)	(659,240)
Temporarily restricted net assets:		
Contributions, grants and other increases	13,124,500	9,344,701
Net assets released from restrictions	(9,251,328)	(10,413,636)
Change in temporarily restricted net assets	3,873,172	(1,068,935)
Total change in net assets	3,194,347	(1,728,175)
Net assets, beginning of year	15,438,460	17,166,635
Net assets, end of year	\$ <u>18,632,807</u>	<u>15,438,460</u>

See accompanying notes to consolidated financial statements.

THE UNITED WAY OF METROPOLITAN NASHVILLE

Consolidated Statements of Functional Expenses

Years ended December 31, 2001 and 2000

	Program services		
	Community building	Grants and initiatives	Total program services expense
2001			
Allocations and grants to direct service providers (net of \$8,548,891 in designated pledges passed through to agencies)	\$ 10,155,492	1,653,965	11,809,457
Salaries	588,991	60,866	649,857
Employee benefits	43,765	5,971	49,736
Payroll taxes	37,228	4,145	41,373
Professional and contract fees	72,219	27,800	100,019
Supplies	6,181	2,014	8,195
Telephone	11,861	1,259	13,120
Postage and shipping	10,179	1,064	11,243
Occupancy	272	3,460	3,732
Maintenance and equipment rental	2,698	—	2,698
Printing and promotional	2,799	1,471	4,270
Travel	2,068	2,084	4,152
Conferences, conventions, and meetings	5,566	3,011	8,577
Dues to United Way of America and others	12,598	—	12,598
Miscellaneous	700	572	1,272
Planned giving premium expense	—	—	—
Depreciation of building and equipment	—	—	—
Total	\$ 10,952,617	1,767,682	12,720,299
2000			
Allocations and grants to direct service providers (net of \$8,787,630 in designated pledges passed through to agencies)	\$ 9,564,816	1,440,749	11,005,565
Salaries	547,103	56,985	604,088
Employee benefits	40,724	5,647	46,371
Payroll taxes	35,797	3,287	39,084
Professional and contract fees	51,563	44,235	95,798
Supplies	5,714	517	6,231
Telephone	11,652	1,958	13,610
Postage and shipping	8,030	1,137	9,167
Occupancy	250	—	250
Maintenance and equipment rental	2,856	—	2,856
Printing and promotional	3,955	541	4,496
Travel	4,172	2,023	6,195
Conferences, conventions, and meetings	3,123	1,874	4,997
Dues to United Way of America and others	12,726	—	12,726
Miscellaneous	667	49	716
Planned giving premium expense	—	—	—
Depreciation of building and equipment	—	—	—
Total	\$ 10,293,148	1,559,002	11,852,150

See accompanying notes to consolidated financial statements.

Supporting services				
Management and general	Fund raising and marketing	Building	Total supporting services expense	Total expenses
—	—	—	—	11,809,457
905,879	966,181	95,636	1,967,696	2,617,553
63,429	65,814	6,610	135,853	185,589
57,801	66,399	7,137	131,337	172,710
132,309	77,727	—	210,036	310,055
15,641	8,370	—	24,011	32,206
21,271	24,304	3,141	48,716	61,836
16,384	22,356	—	38,740	49,983
15,336	470	130,512	146,318	150,050
60,596	4,340	64,911	129,847	132,545
4,097	464,636	929	469,662	473,932
8,112	18,510	5	26,627	30,779
11,532	47,354	310	59,196	67,773
182,394	12,912	—	195,306	207,904
2,025	1,732	—	3,757	5,029
25,264	—	—	25,264	25,264
—	—	193,041	193,041	193,041
<u>1,522,070</u>	<u>1,781,105</u>	<u>502,232</u>	<u>3,805,407</u>	<u>16,525,706</u>
—	—	—	—	11,005,565
841,149	1,066,984	83,520	1,991,653	2,595,741
57,210	64,626	7,674	129,510	175,881
53,097	65,590	6,580	125,267	164,351
112,071	71,731	—	183,802	279,600
19,184	7,993	(2,167)	25,010	31,241
19,727	25,412	3,081	48,220	61,830
13,145	18,602	188	31,935	41,102
11,334	101	128,246	139,681	139,931
25,713	1,295	30,951	57,959	60,815
20,414	427,636	1,777	449,827	454,323
13,738	18,708	952	33,398	39,593
11,233	38,407	48	49,688	54,685
171,447	12,191	60	183,698	196,424
3,017	1,035	10	4,062	4,778
(15,596)	—	—	(15,596)	(15,596)
—	—	195,243	195,243	195,243
<u>1,356,883</u>	<u>1,820,311</u>	<u>456,163</u>	<u>3,633,357</u>	<u>15,485,507</u>

THE UNITED WAY OF METROPOLITAN NASHVILLE

Consolidated Statements of Cash Flows

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,194,347	(1,728,175)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Designated pledges collected	8,548,891	8,787,630
Designated pledges disbursed	(8,548,891)	(8,787,630)
Depreciation and amortization	193,041	195,245
Realized loss (gains) on sale of investments	96,347	(321,108)
Unrealized depreciation on investments	681,686	441,719
Changes in assets and liabilities		
Pledges receivable	(4,573,574)	(11,253,637)
Grant receivable	(207,003)	(135,480)
Prepaid expenses	(188)	45,240
Prepaid allocations	(2,667,296)	(831,312)
Prepaid pension costs	(124,918)	(168,259)
Cash surrender value of life insurance policies	(63,330)	(43,712)
Other assets	192,328	375,965
Campaign funds distributable to agencies	(929,100)	9,515,206
Accounts payable and accrued expenses	352,706	(57,394)
Net cash used in operating activities	<u>(3,854,954)</u>	<u>(3,965,702)</u>
Cash flows from investing activities:		
Purchase of investments	(13,050,977)	(7,560,921)
Proceeds from sale of investments	18,617,360	10,801,557
Proceeds from maturities of investments	—	302,272
Purchase of property and equipment	(188,941)	(142,190)
Net cash provided by investing activities	<u>5,377,442</u>	<u>3,400,718</u>
Net increase (decrease) in cash and cash equivalents	1,522,488	(564,984)
Cash and cash equivalents at beginning of year	4,378,097	4,943,081
Cash and cash equivalents at end of year	<u>\$ 5,900,585</u>	<u>4,378,097</u>
Supplemental schedule of noncash investing activities:		
Stock contributions received	\$ 7,644,222	2,195,020
Reduction in pledges receivable from contributed stock	(3,561,150)	(2,195,020)
Reduction in prepaid allocations from contributed stock	(1,698,895)	—
Increase in deferred revenue from contributed stock	(2,384,177)	—

See accompanying notes to consolidated financial statements.

THE UNITED WAY OF METROPOLITAN NASHVILLE

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

(1) Summary of Significant Accounting Policies

The United Way of Metropolitan Nashville (the Organization) maintains its accounting records 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. A summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements follows:

(a) Principles of Consolidation

The accompanying consolidated financial statements present the consolidated accounts and operations of affiliated United Way organizations under common administrative and budgetary control in the following Metropolitan Nashville counties: Cheatham, Davidson, and Hickman. Material interrelated accounts and transactions have been eliminated in consolidation. The United Way organizations of Bedford, Benton, DeKalb, Dickson, Humphreys, Overton, Putnam, Robertson, Williamson, Wilson, and Sumner counties are partners in the United Ways of Middle Tennessee, along with the United Way of Metropolitan Nashville.

(b) Basis of Presentation

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. All expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) Use of Estimates

Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare

THE UNITED WAY OF METROPOLITAN NASHVILLE

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(d) Contributions and Campaign Expenses

Campaigns are conducted in the fall of each year to raise support for allocations to participating agencies in the subsequent year. Pledges receivable are recorded as received with an allowance provided for estimated uncollectible accounts. Campaign support pledged is recognized as an increase to temporarily restricted net assets until the year of allocation. All contributions are considered available for use as approved by the board of trustees unless specifically restricted or designated by the donor. Campaign pledges restricted or 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.

(e) Allocations

Allocations to member agencies are recognized as expenses generally in the period approved by the board of trustees, and corresponding to the period of the release of time restrictions for related campaign pledges.

(f) Functional Categories

The allocation of salaries and indirect expenditures into functional categories is based upon the amount of time spent in the various functions by the Organization's personnel and other appropriate bases of allocation.

The Organization has utilized the following functional categories:

Program services:

Community building – Includes such activities as allocations to agencies and related planning and fund distribution activities.

Grants and initiatives – Activities to deliver services through the Ryan White/Community Aids Partnership, Decatur Project, Restore the Dream Fund, and Literacy programs.

Supporting services:

Management and general – Activities such as human resources, finance, information technology, and other management activities.

Fundraising and marketing – Activities to raise funds and market United Way activities and services.

Building – Includes the costs of operating the Davidson County headquarters facility.

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Notes to Consolidated Financial Statements

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(g) *Donated Services and In-Kind Contributions*

A large number of volunteers have donated 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 consolidated financial statements since there is no objective basis by which to measure such values. Donated property is recognized in the consolidated financial statements at its fair market value when received.

(h) *Cash Equivalents*

Cash equivalents of \$5,339,420 and \$3,631,820 at December 31, 2001 and 2000, respectively, consist of overnight repurchase agreements and commercial paper with original maturities of less than three months.

(i) *Investments*

Investments are stated at fair value (see note 2). Investments received by gift are recorded at market or appraised value at date of receipt. All realized and unrealized gains and losses are accounted for in the net asset class owning the income stream related to the underlying investments.

(j) *Endowment Income Distribution Policy*

The organization has established a policy whereby a portion of the endowment income is distributed 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 or less than the spending rate is reported as a non-operating item in the statement of activities.

(k) *Land, Building, and Equipment*

Land, building, and equipment are reported at cost. Costs of maintenance and repairs are charged to expense as incurred. Building and equipment are being 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.

(l) *Deferred Revenue*

Included in deferred revenue are amounts received from donors for which matching requirements have not been met. Upon receiving matching amounts, the deferred amounts will be recognized as revenues.

(m) *Operating Activities*

Operating activities in the statement of activities reflect all transactions that change unrestricted net assets, except for certain items associated with endowment investments. In accordance with the Organization's spending policy, as previously described, only the portion of the total investment return distributed under this policy to meet operating needs is included in operating activities. Any excess or deficiency of total return (including realized and unrealized gains and losses) is considered to be non-operating.

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Notes to Consolidated Financial Statements

December 31, 2001 and 2000

(n) Income Tax Exemption

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been recorded in these consolidated financial statements.

(o) Reclassifications

Certain reclassifications to 2000 amounts have been made to conform with the 2001 presentation.

(2) Investments

The fair values and related cost of investments at December 31, 2001 and 2000 are summarized as follows:

	2001		2000	
	Fair value	Cost	Fair value	Cost
Short-term investments	\$ 299,750	299,750	175,170	175,170
Commercial paper	1,492,318	1,492,318	196,764	196,764
U.S. Treasury securities	1,224,067	1,224,591	440,352	431,848
Corporate debt securities	751,256	760,479	2,539,269	2,533,771
Equity securities	3,274,826	3,465,767	3,879,183	3,430,610
U.S. Government agency obligations	2,446,170	2,462,640	957,843	955,890
	<u>\$ 9,488,387</u>	<u>9,705,545</u>	<u>8,188,581</u>	<u>7,724,053</u>

Return on investments for the years ended December 31, 2001 and 2000, was as follows:

	2001	2000
Return on investments:		
Interest and dividend income	\$ 187,288	427,441
Gain (loss) on investments:		
Realized (loss) gain on sale of investments	(96,347)	321,108
Increase in accumulated unrealized loss on investments	(681,686)	(441,719)
Net realized and unrealized loss on investments	(778,033)	(120,611)
Total return on investments	<u>\$ (590,745)</u>	<u>306,830</u>

These amounts are included in the statement of activity as follows:

	2001	2000
Interest income	\$ 135,410	189,064
Endowment spending rate	447,400	460,000
Endowment gains (losses) reduced by the spending rate	(1,173,555)	(342,234)
Total return on investments	<u>\$ (590,745)</u>	<u>306,830</u>

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Notes to Consolidated Financial Statements

December 31, 2001 and 2000

(3) Pledges Receivable

Pledges receivable at December 31, 2001 and 2000 consist of the following:

	<u>2001</u>	<u>2000</u>
Current year campaign	\$ 16,323,196	16,635,254
Prior years' campaigns	4,061,175	3,886,592
	20,384,371	20,521,846
Less allowance for uncollectible pledges	3,512,337	3,213,470
Total pledges receivable	<u>\$ 16,872,034</u>	<u>17,308,376</u>

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

(4) Property and Equipment

Property and equipment consist of the following at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Land	\$ 272,715	272,715
Building and improvements	1,327,669	1,270,497
Furniture and equipment	1,361,865	1,230,096
	2,962,249	2,773,308
Less accumulated depreciation	2,016,969	1,823,928
Total property and equipment, net	<u>\$ 945,280</u>	<u>949,380</u>

(5) Pension Plan

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 benefit obligations, fair value of plan assets and funded status at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Benefit obligation at December 31	\$ (1,844,410)	(1,905,560)
Plan assets at fair value at December 31	3,538,856	3,883,035
Funded status	<u>\$ 1,694,446</u>	<u>1,977,475</u>
Prepaid benefit cost recognized in the consolidated statements of financial position	\$ 634,537	509,619

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Notes to Consolidated Financial Statements

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Information related to activity for the two years ended December 31, 2001 and 2000 follows:

	<u>2001</u>	<u>2000</u>
Benefit cost	\$ (124,918)	(168,259)
Employer contributions	—	—
Benefits and expenses paid	182,108	29,741

Weighted average assumptions as of December 31:

	<u>2001</u>	<u>2000</u>
Discount rate	6.5%	6.5%
Expected return on plan assets	8.5%	8.5%
Rate of compensation increases	4.25%	4.75%

Changes in actuarial assumptions during the year related to the addition of the lump sum payment as an optional form of retirement benefit, decreased the pension benefit obligation by \$99,786 as of December 31, 2001.

At December 31, 2001, plan assets are invested in separate pooled funds at a life insurance company, with investment balances comprised of approximately 10% money market, 50% equity, and 40% fixed income accounts.

(6) Net Assets

Temporarily restricted net assets at December 31, 2001 and 2000 are available for the following purposes:

	<u>2001</u>	<u>2000</u>
Contributions to support the Restore the Dream fund	\$ 270,509	276,920
Contributions to support the Decatur County initiative	220,715	349,918
Contributions to support allocations and operations of future periods	13,130,911	9,122,125
Total temporarily restricted net assets	\$ <u>13,622,135</u>	<u>9,748,963</u>

Permanently restricted net assets at December 31, 2001 and 2000 consist entirely of endowment funds. Income from such endowment funds is unrestricted.

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Consolidating Statement of Unrestricted Activities

Year ended December 31, 2001

	<u>Cheatham County</u>	<u>Davidson County</u>	<u>Hickman County</u>	<u>Intercounty eliminations</u>	<u>Totals including designations</u>	<u>Passed- through</u>	<u>Consolidated</u>
Operating Revenues:							
Public support							
Release of time restriction on prior year pledges	\$ —	9,251,328	—	—	9,251,328	—	9,251,328
Other public support (including campaign pledges)	60,484	16,158,688	13,102	—	16,232,274	—	16,232,274
Designated pledges passed through to agencies	—	—	—	—	—	(8,548,891)	(8,548,891)
Provision for uncollectible pledges	(3,472)	(1,773,795)	(210)	—	(1,777,477)	—	(1,777,477)
Government grants	—	937,014	—	—	937,014	—	937,014
Net public support/net assets released from restrictions	57,012	24,573,235	12,892	—	24,643,139	(8,548,891)	16,094,248
Other operating revenue:							
Investment income	684	134,726	—	—	135,410	—	135,410
Endowment spending rate	—	447,400	—	—	447,400	—	447,400
Financial advisory fees	—	113,576	—	(4,700)	108,876	—	108,876
Miscellaneous	—	234,502	—	—	234,502	—	234,502
Total revenue	684	930,204	—	(4,700)	926,188	—	926,188
Total public support and revenue	57,696	25,503,439	12,892	(4,700)	25,569,327	(8,548,891)	17,020,436
Operating Expenses:							
Program services:							
Community building	29,365	10,917,126	6,126	—	10,952,617	—	10,952,617
Pass-through designations	12,249	8,533,531	3,111	—	8,548,891	(8,548,891)	—
Grants and initiatives	—	1,767,682	—	—	1,767,682	—	1,767,682
Total program services	41,614	21,218,339	9,237	—	21,269,190	(8,548,891)	12,720,299
Supporting services:							
Management and general	—	1,522,070	—	—	1,522,070	—	1,522,070
Regional expenses	2,125	—	2,575	(4,700)	—	—	—
Fund raising and marketing	—	1,781,105	—	—	1,781,105	—	1,781,105
Building	—	502,232	—	—	502,232	—	502,232
Total supporting services	2,125	3,805,407	2,575	(4,700)	3,805,407	—	3,805,407
Total expenses	43,739	25,023,746	11,812	(4,700)	25,074,597	(8,548,891)	16,525,706
Change in unrestricted net assets from operating activities	13,957	479,693	1,080	—	494,730	—	494,730
Nonoperating activities – endowment gains (losses) reduced by the spending rate	—	(1,173,555)	—	—	(1,173,555)	—	(1,173,555)
Change in unrestricted net assets	13,957	(693,862)	1,080	—	(678,825)	—	(678,825)
Total unrestricted net assets at beginning of year	24,526	1,550,035	7,529	—	1,582,090	—	1,582,090
Total unrestricted net assets at end of year	\$ 38,483	856,173	8,609	—	903,265	—	903,265

THE UNITED WAY OF METROPOLITAN NASHVILLE

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

(7) Net Assets Released from Restrictions

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

	<u>2001</u>	<u>2000</u>
Program services (primarily restricted grants and contributions) \$	129,203	140,649
Passage of time (previous year's campaign pledges to support current year operations)	<u>9,122,125</u>	<u>10,272,987</u>
Total net assets released from restrictions \$	<u>9,251,328</u>	<u>10,413,636</u>

(8) Related Party Transactions

The Combined Federal Campaign (CFC) contracts with The United Way of Metropolitan Nashville to manage the campaign and administer the funds of CFC. The United Way is also a recipient of funds from CFC and therefore, is considered to be a related party. Pledges receivable from CFC amounted to \$16,760 and \$18,660 for December 31, 2001 and 2000, respectively. These amounts are included in net pledges receivable in the accompanying consolidated statements of financial position. Other receivables due from CFC amounted to \$104,701 and \$7,750 for December 31, 2001 and 2000, respectively.

(9) 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.

Exhibit B: Budget for First Two Years of Operation

Personnel	2004	2005
Call Center Manager	\$ 35,000	\$ 36,225
Resource Coordinator	\$ 35,000	\$ 36,225
Resource Specialist	\$ 25,000	\$ 25,875
I&R Specialists	\$ 98,854	\$ 172,730
Total Salary	\$ 193,854	\$ 271,055
Fringe @ 25%	\$ 42,760	\$ 57,799
Total Personnel	\$ 236,614	\$ 328,854
Office Supplies	\$ 7,000	\$ 7,140
Printing/Copying	\$ 3,200	\$ 3,264
Postage	\$ 3,000	\$ 3,060
Travel/Prof Development	\$ 8,250	\$ 8,415
Phone	\$ 10,000	\$ 10,200
System Maintenance		\$ 6,000
Language Line	\$ 10,000	\$ 10,200
Admin/contract/indirect	\$ 48,918	\$ 49,896
Resource House	\$ 18,825	\$ 23,628
Misc	\$ 7,000	\$ 7,140
Marketing	\$ 15,000	\$ 15,300
Total Non-Personnel	\$ 131,193	\$ 144,243
Total	\$ 367,807	\$ 473,097