United Way of America and Subsidiaries

Consolidating financial statements
As of December 31, 2000 and 1999
Together with independent auditors' report

Report of independent public accountants

To the Board of Governors of
United Way of America:

We have audited the accompanying consolidating statements of financial position of United Way of America (the National Association, a New York not-for-profit corporation) and its subsidiaries, Sales Service/America, Inc. (a Virginia corporation), and Charities Funds Transfer, Inc. (a Virginia not-for-profit corporation), as of December 31, 2000 and 1999, and the related consolidating statements of activities and cash flows for the years then ended. These consolidating financial statements and the schedule referred to below are the responsibility of the management's of United Way of America, Sales Service/America, Inc., and Charities Funds Transfer, Inc. Our responsibility is to express an opinion on these consolidating financial statements and schedule based on our audits.

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

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of United Way of America and its subsidiaries, Sales Service/America, Inc., and Charities Funds Transfer, Inc. as of December 31, 2000 and 1999, and the individual and consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses of United Way of America is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vienna, Virginia
March 9, 2001

United Way of America,
Sales Service/America, Inc., and
Charities Funds Transfer, Inc.

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United Way of America, Sales Service/America, Inc., and Charities Funds Transfer, Inc.

Consolidating statements of financial position
As of December 31, 2000 and 1999
(In thousands)

	2000					1999				
	United Way of America	Sales Service/ America	Charities Funds Transfer	Consolidation eliminations	Consolidated	United Way of America	Sales Service/ America	Charities Funds Transfer	Consolidation eliminations	Consolidated
Current assets:										
Cash and cash equivalents	$ 8,029	$ 2,704	$ 14,116	$ —	$ 24,849	$ 6,433	$ 1,988	$ 12,055	$ —	$ 20,476
Short-term investments	152	—	—	—	152	944	—	—	—	944
Membership support receivable, net	4,126	—	—	—	4,126	4,871	—	—	—	4,871
Contributions receivable	11,053	—	—	—	11,053	14,836	—	—	—	14,836
Other receivables, net	3,118	380	86	(1,323)	2,261	2,689	389	60	(71)	3,067
Inventory	—	988	—	—	988	—	888	—	—	888
Prepaid expenses and other current assets	295	178	4	—	477	392	158	1	—	551
Total current assets	26,773	4,250	14,206	(1,323)	43,906	30,165	3,423	12,116	(71)	45,633
Noncurrent assets:										
Endowment and other long-term investments	3,618	—	—	—	3,618	1,965	—	—	—	1,965
Contributions receivable	19,722	—	—	—	19,722	28,359	—	—	—	28,359
Land, building, equipment and leasehold improvements, net	10,218	284	8	—	10,510	10,597	310	14	—	10,921
Deferred compensation	174	—	—	—	174	219	—	—	—	219
Investment in subsidiary	1,527	—	—	(1,527)	—	1,527	—	—	(1,527)	—
UWIN development costs	—	—	—	—	—	—	—	—	—	—
Prepaid pension	2,669	65	—	—	2,734	1,587	—	—	—	1,587
Other assets	—	18	—	—	18	—	26	—	—	26
Total noncurrent assets	37,928	367	8	(1,527)	36,776	44,254	336	14	(1,527)	43,077
Total assets	$ 64,701	$ 4,617	$ 14,214	$ (2,850)	$ 80,682	$ 74,419	$ 3,759	$ 12,130	$ (1,598)	$ 88,710

The accompanying notes are an integral part of these consolidating statements.

United Way of America,
Sales Service/America, Inc., and
Charities Funds Transfer, Inc.

Consolidating statements of financial position
As of December 31, 2000 and 1999
(In thousands)
(Continued)

	2000					1999				
	United Way of America	Sales Service/ America	Charities Funds Transfer	Consolidation eliminations	Consolidated	United Way of America	Sales Service/ America	Charities Funds Transfer	Consolidation eliminations	Consolidated
Current liabilities:										
Notes payable	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Accounts payable and accrued liabilities	2,779	1,694	20	(1,323)	3,170	2,887	785	22	(71)	3,623
Custodial funds	3,936	—	13,526	—	17,462	2,406	—	11,343	—	13,749
Contributions payable	34	—	—	—	34	237	—	—	—	237
Postretirement benefits	188	—	—	—	188	175	—	—	—	175
Capital lease obligation	—	11	—	—	11	—	26	—	—	26
Deferred revenue–										
Membership support and other	62	—	—	—	62	73	—	—	—	73
Training programs, conference and service fees	2,106	—	—	—	2,106	1,984	—	—	—	1,984
Total current liabilities	9,105	1,705	13,546	(1,323)	23,033	7,762	811	11,365	(71)	19,867
Noncurrent liabilities:										
Deferred compensation	174	—	—	—	174	219	—	—	—	219
Contributions payable	—	—	—	—	—	11	—	—	—	11
Accrued pension	1,056	—	20	—	1,076	536	5	24	—	565
Capital lease obligation	—	—	—	—	—	—	11	—	—	11
Postretirement benefits	4,110	—	—	—	4,110	3,766	—	—	—	3,766
Other liabilities	—	45	—	—	45	—	23	—	—	23
Total noncurrent liabilities	5,340	45	20	—	5,405	4,532	39	24	—	4,595
Total liabilities	14,445	1,750	13,566	(1,323)	28,438	12,294	850	11,389	(71)	24,462
Commitments and contingencies										
Net assets and equity:										
Unrestricted–										
Land, building, equipment and leasehold improvements, net	10,218	—	—	—	10,218	10,597	—	—	—	10,597
Other	(150)	—	648	—	498	3,131	—	741	—	3,872
Total unrestricted	10,068	—	648	—	10,716	13,728	—	741	—	14,469
Temporarily restricted	37,688	—	—	—	37,688	45,897	—	—	—	45,897
Permanently restricted	2,500	—	—	—	2,500	2,500	—	—	—	2,500
Common stock	—	10	—	(10)	—	—	10	—	(10)	—
Additional paid-in capital	—	1,517	—	(1,517)	—	—	1,517	—	(1,517)	—
Retained earnings – SS/A	—	1,340	—	—	1,340	—	1,382	—	—	1,382
Total net assets and equity	50,256	2,867	648	(1,527)	52,244	62,125	2,909	741	(1,527)	64,248
Total liabilities and net assets and equity	$ 64,701	$ 4,617	$ 14,214	$ (2,850)	$ 80,682	$ 74,419	$ 3,759	$ 12,130	$ (1,598)	$ 88,710

The accompanying notes are an integral part of these consolidating statements.

United Way of America,
Sales Service/America, Inc., and
Charities Funds Transfer, Inc.

Consolidating statement of activities
For the year ended December 31, 2000
(In thousands)

	United Way of America							
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Sales Service/ America**	**Charities Funds Transfer**	**Consolidation eliminations**	**Consolidated**
Revenues:								
Public support–								
Membership support, net	$21,747	$ —	$ —	$ 21,747	$ —	$ —	$ —	$ 21,747
Contributions	679	3,628	—	4,307	—	—	—	4,307
Contributed services	—	—	—	—	—	—	—	—
Total public support	22,426	3,628	—	26,054	—	—	—	26,054
Other revenue–								
Promotional material sales	604	—	—	604	7,572	—	(461)	7,715
Program service fees	1,545	—	—	1,545	—	—	—	1,545
Investment income	1,863	660	—	2,523	115	1,064	(1,550)	2,152
Conferences	1,696	—	—	1,696	—	—	—	1,696
Rental and service income	196	—	—	196	—	—	(39)	157
Federal grants	1,344	—	—	1,344	—	—	—	1,344
Miscellaneous and other	781	—	—	781	—	—	—	781
Total other revenue	8,029	660	—	8,689	7,687	1,064	(2,050)	15,390
Net assets released from restrictions	12,497	(12,497)	—	—	—	—	—	—
Total revenues	42,952	(8,209)	—	34,743	7,687	1,064	(2,050)	41,444
Expenses:								
Program services–								
Campaign/resource development	8,835	—	—	8,835	—	—	—	8,835
Communications/ advertising	5,714	—	—	5,714	—	—	—	5,714
Community impact	18,478	—	—	18,478	—	—	—	18,478
External services	4,209	—	—	4,209	—	—	—	4,209
Training/conferences	4,092	—	—	4,092	—	—	—	4,092
Field relations	1,868	—	—	1,868	—	—	—	1,868
Cost of goods sold	—	—	—	—	4,127	—	(461)	3,666
Selling expenses	—	—	—	—	1,245	—	—	1,245
Funds distribution	—	—	—	—	—	407	(39)	368
Total program services	43,196	—	—	43,196	5,372	407	(500)	48,475
Supporting services–								
General and administrative	3,341	—	—	3,341	1,107	—	—	4,448
Fund-raising	75	—	—	75	—	—	—	75
Provision for income taxes	—	—	—	—	450	—	—	450
Total supporting services	3,416	—	—	3,416	1,557	—	—	4,973
Total expenses	46,612	—	—	46,612	6,929	407	(500)	53,448
Changes in net assets	(3,660)	(8,209)	—	(11,869)	758	657	(1,550)	(12,004)
Net assets and retained earnings, beginning of year	13,728	45,897	2,500	62,125	1,382	741	—	64,248
Dividend to United Way of America	—	—	—	—	(800)	(750)	1,550	—
Net assets and retained earnings, end of year	$10,068	$ 37,688	$ 2,500	$ 50,256	$ 1,340	$ 648	$ —	$ 52,244

The accompanying notes are an integral part of this consolidating statement.

United Way of America, Sales Service/America, Inc., and Charities Funds Transfer, Inc.

Consolidating statement of activities
For the year ended December 31, 1999
(In thousands)

	United Way of America							
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Sales Service/ America	Charities Funds Transfer	Consolidation eliminations	Consolidated
Revenues:								
Public support–								
Membership support, net	$ 20,874	$ —	$ —	$ 20,874	$ —	$ —	$ —	$ 20,874
Contributions	11,148	44,403	—	55,551	—	—	—	55,551
Contributed services	—	331	—	331	—	—	—	331
Total public support	32,022	44,734	—	76,756	—	—	—	76,756
Other revenue–								
Promotional material sales	516	—	—	516	7,681	—	(39)	8,158
Program service fees	2,910	—	—	2,910	—	—	(24)	2,886
Investment income	1,429	190	—	1,619	98	701	(1,000)	1,418
Conferences	850	—	—	850	—	—	—	850
Rental and service income	224	—	—	224	—	—	(14)	210
Federal grants	1,253	—	—	1,253	—	—	—	1,253
Miscellaneous and other	446	—	—	446	—	—	—	446
Total other revenue	7,628	190	—	7,818	7,779	701	(1,077)	15,221
Net assets released from restrictions	12,449	(12,449)	—	—	—	—	—	—
Total revenues	52,099	32,475	—	84,574	7,779	701	(1,077)	91,977
Expenses:								
Program services–								
Campaign/resource development	5,931	—	—	5,931	—	—	—	5,931
Communications/advertising	5,452	—	—	5,452	—	—	(39)	5,413
Community impact	15,869	—	—	15,869	—	—	—	15,869
External services	4,627	—	—	4,627	—	—	—	4,627
Training/conferences	3,471	—	—	3,471	—	—	—	3,471
Field relations	1,422	—	—	1,422	—	—	—	1,422
Cost of goods sold	—	—	—	—	3,811	—	—	3,811
Selling expenses	—	—	—	—	1,169	—	—	1,169
Funds distribution	—	—	—	—	—	376	(38)	338
Total program services	36,772	—	—	36,772	4,980	376	(77)	42,051
Supporting services–								
General and administrative	3,091	—	—	3,091	977	—	—	4,068
Fund-raising	67	—	—	67		—	—	67
Provision for income taxes	—	—	—	—	721	—	—	721
Total supporting services	3,158	—	—	3,158	1,698	—	—	4,856
Write down of UWIN development costs	12,081	—	—	12,081	—	—	—	12,081
Total expenses	52,011	—	—	52,011	6,678	376	(77)	58,988
Changes in net assets	88	32,475	—	32,563	1,101	325	(1,000)	32,989
Net assets and retained earnings, beginning of year	13,640	13,422	2,500	29,562	1,281	416	—	31,259
Dividend to United Way of America	—	—	—	—	(1,000)	—	1,000	—
Net assets and retained earnings, end of year	$ 13,728	$ 45,897	$ 2,500	$ 62,125	$ 1,382	$ 741	$ —	$ 64,248

The accompanying notes are an integral part of this consolidating statement.

United Way of America, Sales Service/America, Inc., and Charities Funds Transfer, Inc.

Consolidating statements of cash flows
For the years ended December 31, 2000 and 1999
(In thousands)

	2000					1999				
	United Way of America	Sales Service/ America	Charities Funds Transfer	Consolidation eliminations	Consolidated	United Way of America	Sales Service/ America	Charities Funds Transfer	Consolidation eliminations	Consolidated
Cash flows from operating activities:										
Changes in net assets	$ (11,869)	$ 758	$ 657	$ (1,550)	$ (12,004)	$ 32,563	$ 1,101	$ 325	$ (1,000)	$ 32,989
Adjustments to reconcile changes in net assets to net cash flows provided by (used in) operating activities–										
Depreciation and amortization	1,030	116	5	—	1,151	885	59	3	—	947
Write down of UWIN development costs	—	—	—	—	—	12,081	—	—	—	12,081
Unrealized loss (gain) on investments	(99)	—	—	—	(99)	44	—	—	—	44
Custodial fund receipts	124,049	—	144,845	(5,600)	263,294	98,715	—	119,893	(5,300)	213,308
Custodial fund disbursements	(122,519)	—	(142,661)	5,600	(259,580)	(99,107)	—	(117,442)	5,300	(211,249)
Changes in assets and liabilities:					—					
Membership support receivable, net	745	—	—	—	745	(1,131)	—	—	—	(1,131)
Other receivables, net	(429)	8	(26)	1,323	876	(1,341)	(17)	(20)	71	(1,307)
Contributions receivable	12,420	—	—	—	12,420	(33,397)	—	—	—	(33,397)
Inventory	—	(100)	—	—	(100)	—	(22)	—	—	(22)
Prepaid expenses and other current assets	97	(49)	(3)	—	45	23	(74)	(1)	—	(52)
Other assets	—	60	—	—	60	—	36	—	—	36
Notes payable	—	—	—	—	—	(2,700)	—	—	—	(2,700)
Accounts payable and accrued liabilities	(108)	1,099	(2)	(1,323)	(334)	(411)	252	16	(71)	(214)
Contributions payable	(214)	—	—	—	(214)	(351)	—	—	—	(351)
Deferred revenue	111	—	—	—	111	(471)	—	—	—	(471)
Deferred compensation asset	45	—	—	—	45	76	—	—	—	76
Deferred compensation liability	(45)	—	—	—	(45)	(76)	—	—	—	(76)
Post retirement benefits	357	—	—	—	357	300	—	—	—	300
Net accrued/prepaid pension	(562)	(70)	(4)	—	(636)	(540)	(13)	(4)	—	(557)
Other liabilities	—	(190)	—	—	(190)	—	4	—	—	4
Net cash flows provided by (used in) operating activities	3,009	1,632	2,811	(1,550)	5,902	5,162	1,326	2,770	(1,000)	8,258
Cash flows from investing activities:										
Purchases of investments	(762)	—	—	—	(762)	(396)	—	—	—	(396)
Sales and maturities of investments	—	—	—	—	—	844	—	—	—	844
Purchases of equipment, net	(651)	(90)	—	—	(741)	(4,746)	(243)	(15)	—	(5,004)
Net cash flows used in investing activities	(1,413)	(90)	—	—	(1,503)	(4,298)	(243)	(15)	—	(4,556)
Cash flows from financing activities:										
Principal payments under capital lease	—	(26)	—	—	(26)	—	(24)	—	—	(24)
Dividend to UWA	—	(800)	(750)	1,550	—	—	(1,000)	—	1,000	—
Net cash flows used in financing activities	—	(826)	(750)	1,550	(26)	—	(1,024)	—	1,000	(24)
Net increase (decrease) in cash and cash equivalents	1,596	716	2,061	—	4,373	864	59	2,755	—	3,678
Cash and cash equivalents:										
Beginning of year	6,433	1,988	12,055	—	20,476	5,569	1,929	9,300	—	16,798
End of year	$ 8,029	$ 2,704	$ 14,116	$ —	$ 24,849	$ 6,433	$ 1,988	$ 12,055	$ —	$ 20,476
Supplementary disclosure of cash flow information:										
Cash payments for interest	$ 7	$ 2	$ —		$ 9	$ 187	$ 3	$ —		$ 190
Cash payments for income taxes	$ —	$ 674	$ —		$ 674	$ —	$ 673	$ —		$ 673

The accompanying notes are an integral part of these consolidating statements.

United Way of America

Schedule of functional expenses
For the year ended December 31, 2000, with comparative totals
for the year ended December 31, 1999
(In thousands)

	Program services							Supporting Services				
	Campaign/ resource development	Communications/ advertising	Community impact	External services	Training/ conferences	Field relations	Total program services	General and administrative	Fund–raising	Total supporting services	2000	1999
Salaries	$ 3,006	$ 792	$ 3,495	$ 1,600	$ 507	$ 1,086	$ 10,486	$ 1,530	$ 2	$ 1,532	$ 12,018	$ 11,228
Employee benefits and payroll taxes	824	190	1,041	573	122	261	3,011	183	1	184	3,195	2,639
Professional fees and contract services payments	3,245	3,808	1,739	1,393	870	52	11,107	396	66	462	11,569	8,932
Conferences and travel	848	351	408	176	2,161	137	4,081	95	—	95	4,176	3,227
Subscriptions and membership dues	67	71	73	28	23	8	270	15	—	15	285	299
Scholarships, grants and awards	12	10	10,292	59	3	4	10,380	219	—	219	10,599	9,532
Rental and maintenance of equipment	128	74	128	42	19	39	430	58	1	59	489	455
Supplies	209	159	149	62	74	48	701	43	1	44	745	810
Telephone	105	33	123	39	18	53	371	28	1	29	400	453
Postage and shipping	47	37	98	28	18	29	257	20	—	20	277	313
Occupancy	102	43	149	52	206	45	597	73	1	74	671	566
Other expenses	10	52	443	39	20	4	568	592	—	592	1,160	611
Depreciation and amortization	232	94	340	118	51	102	937	89	2	91	1,028	865
Write down of UWIN development costs	—	—	—	—	—	—	—	—	—	—	—	12,081
Total expenses	$ 8,835	$ 5,714	$ 18,478	$ 4,209	$ 4,092	$ 1,868	$ 43,196	$ 3,341	$ 75	$ 3,416	$ 46,612	$ 52,011

The accompanying notes are an integral part of this consolidating statement.

1. Organization and purpose:

United Way of America (UWA) is a national organization supported primarily by local United Way member organizations. UWA serves the United Way system by being an exemplary leader in American philanthropy and an outstanding mobilizer of resources; helping to shape the nation's health and human services agenda; and creating a better quality of life for all Americans. UWA's mission is to advance, with member United Way organizations, the nation's health and human services agenda by expanding resources and applying them effectively to build better, more self-sufficient communities.

UWA has received an exemption from the Internal Revenue Service from federal income taxes under Section 501(a), as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. No provision for income taxes is provided in UWA's financial statements.

UWA receives annual membership support through a licensing arrangement with local United Way member organizations to utilize the name and service marks owned by UWA. A common membership support calculation is utilized by all member organizations and payments are made through an allocation of contributions received from local donors. In 1999, member organizations adopted new membership standards which include the requirement to pay membership support in order to be a member in good standing with UWA. If any organization does not remit membership support, the organization's right to utilize the name and service mark may be revoked.

UWA uses the following program service categories for reporting purposes.

Campaign/resource development – Marketing, consultation, resource development programs, corporate development, labor and diversity.

Communications/advertising – Advertising and promotion, publishing and production of film and campaign materials, teleconferencing and production of the National Football League television spots.

Community impact – Fund distribution services, community building, national agencies support, volunteer development, Mobilization for America's Children, AIDS, housing and literacy programs.

External services – Specific services provided to member United Way organizations, including executive search and professional referral, personnel consultation, career counseling, government relations, quality programs, pledge and information processing, and Second Century Management Software.

Training/conferences – Training programs for volunteers and staff, and national conferences.

Field relations – Consultative support to local United Way member organizations and regional councils.

Sales Service/America, Inc. (SS/A) is a wholly owned subsidiary of UWA. SS/A's purpose is to provide sales fulfillment services to UWA and other organizations. Sales to UWA and local United Way agencies and sales of products with the United Way trademark accounted for more than 95 percent of SS/A's sales in 2000 and 1999.

SS/A earned administrative fees from UWA relating to the sales of films and publications sold on UWA's behalf. These fees were $28,840 and $38,544 in 2000 and 1999, respectively. SS/A declared dividends of $800,000 and $1,000,000 to UWA in 2000 and 1999, respectively, which are included in investment income at UWA. SS/A also accrued a royalty to UWA of $431,888 in 2000, which is included in program services revenue at UWA and in cost of goods sold at SS/A. At December 31, 2000 and 1999, SS/A had a liability to UWA of approximately $1,290,000 and $34,000, respectively.

Charities Funds Transfer, Inc. (CFT) was established in 1988 as a Virginia not-for-profit corporation. CFT has received an exemption from federal income taxes under Section 501(c)(3), as an entity described in Section 509(a)(2), of the Internal Revenue Code of 1986, as amended. The purpose of CFT is to simplify and speed the distribution of corporate, employee, retiree and foundation donations throughout the local United Way system. As discussed in Note 3, CFT also distributes funds designated by participating federal government employees for the United Way of America Federation as part of the Combined Federal Campaign. CFT is a membership organization, with the sole member being UWA. CFT pays rental and service fees to UWA. These rental and service fees were $53,471 and $51,937 in 2000 and 1999, respectively. As of December 31, 2000 and 1999, CFT had a liability to UWA of $19,868 and $14,782, respectively, for rent and services provided. CFT also paid a dividend of $750,000 to UWA in 2000, which is included in investment income at UWA.

2. Summary of significant accounting policies:

Consolidation

The accompanying consolidating financial statements include UWA, SS/A and CFT (the Companies). All intercompany transactions are eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Net assets

Net assets are classified into three categories: unrestricted, temporarily restricted or permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the contributions are used for their restricted purpose, at which time they are reported in the statement of activities as net assets released from restrictions. All permanently restricted net assets represent an endowment to be held in perpetuity. Investment income earned on this endowment is temporarily restricted for programs that benefit children, youth and families.

Temporarily restricted net assets are restricted by the donors as follows (in thousands):

Type of restriction	2000	1999
Recognition of outstanding community service	$ 89	$ 88
Literacy initiatives	135	385
Initiatives to benefit children, youth and families	29,047	39,534
Initiatives to generate major donations to local United Way member organizations	628	638
Scholarships	113	113
Energy conservation initiatives	24	24
Initiatives to assist communities in determining their social needs	18	18
Housing initiatives	—	—
Initiatives to measure outcomes of local community programs	16	96
Technology initiatives	2,859	1
Other	4,759	5,000
Total temporarily restricted net assets	$ 37,688	$ 45,897

Cash and cash equivalents and investments

UWA utilizes an outside cash management service that determines and provides for daily cash requirements under which cash balances are minimized in order to increase the return on investments. Cash equivalents consist of investments with original maturities of three months or less.

At December 31, 2000 and 1999, CFT's cash and cash equivalents includes $13.5 million and $11.3 million, respectively, of cash restricted for distribution to specified recipient charitable organizations.

Investments consist of a diversified portfolio and are recorded at market. Cash and cash equivalents and short-term investments (original maturities of three months to one year) include funds held to be used to fulfill the purpose of restricted contributions and custodial funds (see Note 3). Endowment and other long-term investments represent the endowment portion of the investment portfolio (including cash equivalents and short-term investments) and government agency bonds in the investment portfolio with maturities greater than one year.

UWA's investment policy authorizes investments in U.S. Treasury issues, U.S. Government agency issues, certificates of deposit, bankers acceptances, commercial paper, corporate notes and debentures, repurchase agreements, foreign bank certificates of deposit, foreign bankers acceptances, foreign commercial paper, Eurodollar certificates of deposit and time deposits of select banks, and money market funds. Repurchase agreements are backed by U.S. Treasury or U.S. Government agency issues, and are to be collateralized at 102 percent of the repurchase price. As of December 31, 2000 and 1999, UWA had no investments in repurchase agreements.

Investments, which are stated at market value as of December 31, 2000 and 1999, consist of short-term and long-term debt instruments.

Investment income for the years ended December 31, 2000 and 1999, respectively, consisted of the following (in thousands):

	2000				
	UWA	**SS/A**	**CFT**	**Eliminations**	**Total**
Interest income	$ 874	$115	$1,064	$ —	$ 2,053
Dividend income	1,550	—	—	(1,550)	—
Realized investment income	2,424	115	1,064	(1,550)	2,053
Unrealized gain	99	—	—	—	99
Net investment income	$2,523	$115	$1,064	$ (1,550)	$ 2,152

	1999				
	UWA	**SS/A**	**CFT**	**Eliminations**	**Total**
Interest income	$ 663	$ 98	$ 701	$ —	$ 1,462
Dividend income	1,000	—	—	(1,000)	—
Realized investment income	1,663	98	701	(1,000)	1,462
Unrealized (loss)	(44)	—	—	—	(44)
Net investment income	$ 1,619	$ 98	$ 701	$ (1,000)	$ 1,418

Membership support receivable and revenue

Membership support receivable is recorded in the year in which pledges from local United Way member organizations are received. The membership support revenue from these pledges is deferred and is recognized as revenue in the year to which the pledge relates.

A reserve for doubtful accounts is recorded, and the membership support receivable is shown net of this reserve in the accompanying consolidating statements of financial position. The major components of membership support receivable at December 31 are as follows (in thousands):

	2000	1999
Membership support earned	$ 4,366	$ 5,114
Membership support pledged for the following year	61	71
Reserve for doubtful accounts	(301)	(314)
Net membership support receivable	$ 4,126	$ 4,871

Membership support revenue in the accompanying consolidating statement of activities is net of a credit provided for future training of members. The amount of the credit was $2,983,114 in 2000 and $2,709,248 in 1999. Credits are reflected as deferred revenue in the accompanying consolidating statements of financial position until used, at which time program service fee revenue is recognized.

Contributions

UWA recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as unrestricted support, temporarily restricted support, or permanently restricted support. Temporarily restricted contributions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as temporarily restricted contributions, and reclassified as net assets released from restrictions in the same year. Promises to contribute that stipulate conditions to be met before the contribution is made are not accrued until the conditions are met. As of December 31, 2000 and 1999, UWA had received no conditional promises to give.

UWA recognizes contributed services as revenue and expense if such services meet the criteria for recognition as stated in Statement of Financial Accounting Standards No. 116 (i.e., such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation). Contribution revenue included contributed services of approximately $331,000 in 1999. The contributed services consisted of advertising, auditing and consulting services.

Contributions receivable

Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted to their estimated present values using a risk-free interest rate.

Contributions receivable in the accompanying consolidating statements of financial position include the following unconditional promises to give (in thousands):

	2000	1999
Amounts due in:		
Less than one year	$ 12,359	$ 14,873
One to five years	21,750	32,119
Less– Discount	(3,334)	(3,797)
Total	$ 30,775	$ 43,195

Inventory

Inventory is accounted for at the lower of cost or net realizable value. Costs applicable to inventory on hand are determined principally on the weighted-average cost method.

Land, building, equipment and leasehold improvements

The Companies capitalize expenditures for land, building, equipment, and leasehold improvements, in excess of certain thresholds specified below. Depreciation is calculated using the straight-line method over the following useful lives for each entity.

	UWA	SS/A	CFT
Building	35 years	N/A	N/A
Furniture and equipment	5 years	5-7 years	3-5 years
Leasehold improvements and capital leases	N/A	The lesser of the term of the lease or the life of the asset	N/A
Capitalization threshold	$2,500	$250	$200

UWIN development costs

In 1997, UWA began development of the United Way Information Network (UWIN). The purpose of UWIN was to assist member United Way organizations with the processing of contribution pledges from donors and corporations with the subsequent disbursement of donations and information reporting.

UWIN development costs were capitalized in accordance with Statement of Financial Accounting Standards No. 86, “Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed.” Capitalized costs included payments to vendors that had been contracted to develop the system, as well as payroll related costs of UWA personnel that worked directly on the project. UWA obtained a line of credit and received donor contributions to finance the UWIN development costs (see Note 6).

In 1999, final testing of the UWIN system commenced. During the final testing phase, the system was unable to process gifts as designed, and was ultimately deemed inoperative and not repairable. At the time the system was deemed inoperative, UWA wrote off approximately $12.1 million of capitalized costs, which is recorded in the accompanying consolidating statements of activities. This write off is net of a settlement agreement with a vendor, in which the vendor agreed to reimburse UWA for certain costs incurred.

Certain components of the system that were deemed salvageable were not written off and are now in use by UWA. These assets, which have a fair value of approximately $533,000, are recorded as equipment in the accompanying consolidating statements of financial position. The assets are being depreciated over their useful life of 5 years.

3. Custodial funds:

Since 1983, Congress has allocated $2.05 billion to the Federal Emergency Management Agency (FEMA) to provide emergency food and shelter to needy individuals throughout the country. In 1983, a national board was convened to distribute these funds through Emergency Food and Shelter (EF&S), a separate congressionally authorized program of FEMA, which is not consolidated into the UWA financial statements, and UWA was appointed the fiscal agent. In addition to UWA, other members of the national board include the Salvation Army, the National Council of the Churches of Christ, Catholic Charities USA, the Council of Jewish Federations, Inc., the American Red Cross, and FEMA. As fiscal agent, UWA is custodian of the funds and is responsible for the administration and disbursement of the grants as directed by the national board. UWA charged certain administrative expenses to EF&S (approximately $100,000 in 2000 and 1999). During 2000 and 1999, approximately $108 million and $99 million, respectively, were disbursed in grants. As of December 31, 2000 and 1999, the undistributed balances of $3.5 million and $2.0 million, respectively, are included in cash and cash equivalents, and short-term investments, with a corresponding liability in the accompanying consolidating statements of financial position.

During 1989, UWA entered into an agreement with CFT that provides for CFT to distribute funds designated for the United Way of America Federation (the Federation) as part of the Combined Federal Campaign. The Federation, created by UWA, is a group of approximately 25 voluntary charitable human health and welfare organizations that supplies common fund-raising, administration and management services to its constituent members. UWA receives funds designated for members of the Federation and transfers those funds to CFT for distribution to the members. In 2000 and 1999, UWA received approximately $5.6 and $5.3 million, respectively, in custodial funds to be distributed by CFT, all of which were transferred to CFT by year-end. The funds received by UWA and transferred to CFT were primarily raised by the Combined Federal Campaign and designated for members of the Federation.

4. Land, building, equipment and leasehold improvements:

At December 31, 2000 and 1999, land, building, equipment and leasehold improvements, at cost, were as follows (in thousands):

	UWA		SS/A		CFT	
	2000	**1999**	**2000**	**1999**	**2000**	**1999**
Land	$ 2,102	$ 2,102	$ —	$ —	$ —	$ —
Building	12,023	11,937	—	—	—	—
Leasehold improvements	112	112	38	32	—	—
Furniture and equipment	11,071	10,506	621	672	76	77
Equipment under capital lease	—	—	72	72	—	—
Less– Accumulated depreciation and amortization	(15,090)	(14,060)	(447)	(466)	(68)	(63)
Net totals	$ 10,218	$ 10,597	$ 284	$ 310	$ 8	$ 14

5. Income taxes:

SS/A follows SFAS No. 109, “Accounting for Income Taxes.” This statement requires the recognition of deferred tax liabilities and deferred tax assets, net of applicable valuation allowances, for certain temporary differences and net operating loss carryforwards.

The provision (benefit) for income taxes includes federal and state income taxes and those deferred as a result of temporary differences in the recognition of income and expenses for financial accounting and income tax purposes. The provision (benefit) for income taxes includes the following components (in thousands):

	2000	1999
Current tax provision:		
Federal	$ 335	$ 633
State	63	128
Total current provision	398	761
Deferred tax (benefit) provision:		
Federal	53	(47)
State	(1)	7
Total deferred (benefit) provision:	52	(40)
Total provision for income taxes	$ 450	$ 721

Deferred income taxes result from timing differences in the recognition of revenues and expenses for tax return and financial reporting purposes. The sources of these differences and the tax effect of each at December 31, 2000 and 1999, are as follows (in thousands):

	2000	1999
Tax depreciation and amortization	$ (19)	$ (23)
Accrued pension	(26)	5
Accounts receivable allowances	37	36
Inventory reserve	26	73
Other	20	—
Net deferred tax assets	38	91
Current deferred tax asset	83	114
Noncurrent deferred tax liability	$ 45	$ 23

The reconciliation of taxes at the U.S. statutory federal income tax rate to SS/A’s effective income tax rate is as follows (in thousands):

	2000	1999
Federal taxes at statutory rate	$ 411	$ 638
State income taxes, net of federal tax benefit	41	83
Other	(2)	—
Provision for income taxes	$ 450	$ 721

6. Debt:

At December 31, 2000, UWA maintained a line-of-credit agreement with a bank for $3.2 million, consisting of a $2.7 million portion secured by certain restricted and endowment funds, with the consent of the donors, and a $500,000 portion secured by the deed of trust on UWA's building. Borrowings under this line are payable on demand and bear interest at UWA's choice of either (1) the lending bank's prime interest rate, or (2) LIBOR plus either 1.00 percent for loans against the $2.7 million portion of the line or 1.25 percent for loans against the $500,000 portion of the line. The agreement expires on August 31,2002. There were no borrowings on the line at December 31, 2000 and 1999.

UWA also maintains a secured line of credit agreement with a bank for $10 million. Borrowings under this line are payable on demand, are subject to certain conditions, and bear interest at UWA's choice of either (1) the bank's prime interest rate or (2) LIBOR plus 1.15 percent. The line is secured by the deed of trust on UWA's building, and expires on August 31, 2002. The line includes restrictive covenants including, among others, cash flow and debt to equity requirements. There were no borrowings outstanding on the line at December 31, 2000 and 1999.

SS/A has a $250,000 line-of-credit agreement with a bank. The interest rate on the line is prime plus 1.00 percent, payable monthly. The line expires on June 30, 2001. SS/A has pledged a first security interest in all of its assets as collateral on the line. There were no borrowings under the line of credit in 2000 or 1999.

UWA incurred interest expense of $6,685 in 2000 and capitalized interest of $135,503 in 1999, which was capitalized as UWIN development costs. All interest costs capitalized as UWIN development costs were written off in 1999 as discussed in Note 2. Interest expense for SS/A (capital leases) for 2000 and 1999 was $1,633 and $3,236, respectively.

CFT incurred no interest expense in 2000 and 1999.

7. Pension and other postretirement benefits:

UWA has a qualified, noncontributory defined benefit pension plan covering employees who have reached the age of 21 and have completed one year of employment. An employee's interest becomes fully vested upon the completion of three years or five years of service, depending on date of hire, and is nonforfeitable upon attainment of early retirement age. Contributions to the plan are based on actuarially determined amounts.

During 1984, UWA management established a nonqualified, noncontributory defined benefit pension plan (Plan No. 1) to restore the pension benefits lost under the qualified plan due to the limitations arising from Section 415 of the Tax Equity and Fiscal Responsibility Act of 1982, and to restore the pension benefits lost, if any, from the definition of compensation under the qualified plan.

During 1991, UWA management established another nonqualified plan (Plan No. 3) for Senior Vice President-grade employees and above. The plan was designed to restore benefits eliminated by a change in the qualified plan formula required by the Tax Reform Act of 1986.

During 2000, UWA established a Replacement Plan to replace benefits in the qualified plan for participants affected by IRS salary limits, as well as benefit limits.

Effective October 7, 1991, SS/A established a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service in a related field, as defined, and the employee's compensation during the last ten years of employment. SS/A's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Effective December 31, 1995, the pension plans of UWA and SS/A were merged. The purpose of the merger was to provide for common management of pension plan assets.

In 1997, SS/A approved a 401(k) plan for all employees. SS/A accrued contributions of $8,700 for the plan in 2000, and $8,300 in 1999.

Prior to 1997, CFT had a qualified, contributory defined benefit pension plan covering employees who have reached the age of 21 and who have completed one year of employment. An employee's interest becomes fully vested upon the completion of three years or five years of service, depending on date of hire, and is nonforfeitable upon attainment of early retirement age. Contributions to the plan are based on actuarially determined amounts. During 1997, the pension plan of CFT was merged with the UWA–SS/A plan.

Employees retiring from UWA on or after attaining age 55 and with three years of credited service are entitled to postretirement life insurance, and medical and dental benefit coverage. These benefits are subject to deductibles, co-payment provisions and other limitations. UWA may amend or change the plan periodically. UWA does not fund this plan in advance.

The following table summarizes the actuarially determined benefit obligations, the fair value of plan assets and the funded status of the pension and other postretirement benefit plans at December 31, 2000 and 1999 (in thousands):

	Pension benefits		**Other benefits**	
	2000	**1999**	**2000**	**1999**
Benefit obligation at December 31	$ 21,014	$ 19,459	$ 4,239	$ 3,784
Fair value of plan assets at December 31 [(a)]	20,904	20,635	—	—
Funded status	(110)	1,176	(4,239)	(3,784)
Prepaid (accrued) benefit cost recognized in the consolidating statements of financial position, net	1,658	1,022	(4,298)	(3,941)

[(a)] Plan assets consist of investments in funds administered by Mutual of America Life Insurance Company and State Street Bank: a general account, a pooled separate account (pooled common stock fund), and a pooled mid-term bond account.

Included in the pension benefit obligation listed above are amounts in the nonqualified plans subject to the dispute between UWA and its former president, as referred to in Note 10. The nonqualified plans in question had plan assets at December 31, 2000, of $2.9 million, which exceeded the related actuarially calculated benefit obligations.

The amounts of contributions, benefit payments, and benefit cost recognized in the consolidating statements of activities for the years ended December 31, 2000 and 1999, are as follows (in thousands):

	Pension benefits		Other benefits	
	2000	**1999**	**2000**	**1999**
Benefit cost	$ 177	$ 418	$ 547	$ 467
Employer contribution	1,335	975	169	164
Benefits paid	(824)	(2,538)	(169)	(164)

UWA's share of expense in the pension plans for 2000 and 1999 was $640,000 and $357,000, respectively ($45,997 and $36,975 of which was allocated to EF&S – see Note 3). SS/A's share of expense in the pension plans for 2000 and 1999 was $46,000 and $61,000, respectively. CFT's share of expense in the pension plans for 2000 and 1999 was $367 and $(500), respectively.

The weighted-average assumptions used in the measurement of the benefit obligations are shown in the following table.

	Pension benefits		Other benefits	
	2000	**1999**	**2000**	**1999**
Discount rate	7.5%	8%	7.75%	7.5%
Expected return on plan assets	8.0%	7.5%	N/A	N/A
Rate of compensation increase	5.0%	4.5%	N/A	N/A

For measurement purposes, the 2000 annual rates of increase in the per capital cost of covered health care claims assumed for 2000 were as follows:

Age under 65	10.5%
Age 65 and older	14.5%

The rate was assumed to decrease gradually to 5.5 percent for medical coverage and 5.5 percent for dental coverage through 2006, and remain at that level thereafter.

Certain former UWA executives have chosen to defer portions of their eligible pension benefits to future periods. The amount of this deferred compensation asset and liability is $174,000 and $219,000, respectively, at December 31, 2000 and 1999. Annuity contracts have been purchased to fund this liability.

8. Licensees:

United Way International (UWI) is a separate entity with a distinct board and is not controlled by UWA. UWI was incorporated as a District of Columbia not-for-profit corporation in 1974. The purpose of UWI is to promote voluntary charitable services through united fund-raising, fund allocation, leadership, and planning activities in countries and territories outside the United States. The functions and funding of UWI are complementary to, but not a part of, UWA's mission. UWA does not provide any financial support to UWI. UWI purchases services and parking from UWA, as available to other charitable organizations. UWA leases office space to UWI at a monthly rent of $3,444.

9. Commitments:

UWA has entered into operating lease arrangements for office space and office equipment. Office space rentals include leases for its regional offices and local storage in Alexandria, Virginia. Leased office equipment includes the telephone system and computer components. The leases for office space and equipment expire over the next two years. Rent expense was approximately $172,203 in 2000, and $143,000 in 1999.

SS/A moved its main office to a leased facility in November 1993. The original 60-month lease was extended through November 2003. Rent expense amounted to approximately $94,000 and $93,000 for 2000 and 1999, respectively.

In 1998, SS/A entered into a long-term capital lease for computer equipment. The following is a schedule of future minimum lease payments for the capital lease:

2001	$ 11,325
Less– Amount representing interest	182
Present value of net minimum lease payments	$ 11,143

Future minimum lease payments under operating leases as of December 31, 2000, are as follows (in thousands):

	UWA	SS/A
2001	$ 170	$ 94
2002	169	97
2003	6	89
2004	2	—
Total future minimum lease payments	$ 347	$ 280

10. Contingencies:

In October 1998, the U.S. District Court for the Southern District of New York (the Court) ruled that UWA is liable for certain nonqualified pension benefits plus interest totaling $4.4 million to a former employee. The Court also held that this former employee breached various duties to UWA and must reimburse salary to UWA, in addition to certain other damages and interest totaling $2 million. The judgment was appealed by both parties. In September 1999, the United States Court of Appeals for the second district affirmed UWA's judgment against this former employee in all respects and reversed one component of the judgment in the former employee's favor. The Court of appeals remanded the case back to the district court for a ruling on the single issue that had been reversed. The district court again found for the former employee, and the original judgment from the October 1998 ruling (net $2.4 million liability to UWA) was reinstated. This judgment has been appealed by UWA. As discussed in Note 7, the nonqualified benefit plans established to provide the benefits in question have assets of approximately $2.9 million at December 31, 2000. While it is not possible to predict the outcome of this matter, management believes that the resolution will not have a material adverse effect on the financial position or changes in net assets of UWA.