UNITED WAY OF AMERICA AND SUBSIDIARIES

Consolidated Financial Statements and Supplemental Schedule

Years ended December 31, 2006 and 2005 with Report of Independent Auditors

United Way of America and Subsidiaries

Consolidated Financial Statements and Supplemental Schedule

Years ended December 31, 2006 and 2005

Contents

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Report of Independent Auditors

Board of Trustees
United Way of America

We have audited the accompanying consolidated statements of financial position of United Way of America (a New York not-for-profit corporation) and its subsidiaries, United Way Store (a Virginia for-profit corporation) and United eWay (a Virginia not-for-profit corporation), as of December 31, 2006 and 2005, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of United Way of America's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of United Way of Tri-State, a division acquired October 1, 2006, which statements reflect total assets and revenues constituting 37% and 12%, respectively, of the related 2006 consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for United Way of Tri-State, is based solely on the report of the other auditors.

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. We were not engaged to perform an audit of United Way of America's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of America's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way of America and its subsidiaries, United Way Store and United eWay, as of December 31, 2006 and 2005, and the 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The consolidating details appearing in conjunction with the consolidated financial statements and the schedules of functional expenses of United

Way of America are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in our audits of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

April 20, 2007

United Way of America and Subsidiaries

Consolidated Statements of Financial Position—with Consolidating Details

(In Thousands)

	December 31, 2006					December 31, 2005				
	United Way of America	**United Way Store**	**United eWay**	**Consolidation Eliminations**	**Consolidated**	**United Way of America**	**United Way Store**	**United eWay**	**Consolidation Eliminations**	**Consolidated**
Assets										
Current assets:										
Cash and cash equivalents										
Unrestricted cash and cash equivalents	**$ 23,972**	**$ 1,287**	**$ –**	**$ –**	**$ 25,259**	$ 5,764	$ 1,223	$ –	$ –	$ 6,987
Restricted cash and cash equivalents	**9,693**	–	–	–	**9,693**	21,500	–	–	–	21,500
Total cash and cash equivalents	**33,665**	**1,287**	–	–	**34,952**	27,264	1,223	–	–	28,487
Custodial funds	**4,847**	**–**	**22,001**	**–**	**26,848**	2,864	–	28,103	–	30,967
Membership support receivables, net	**1,782**	**–**	**–**	**–**	**1,782**	2,674	–	–	–	2,674
Campaign receivables										
Current campaign (net of allowance for uncollectible pledges of $1,515)	**10,508**	**–**	**–**	**–**	**10,508**	–	–	–	–	–
Prior campaign (net of allowance for uncollectible pledges of $5,849)	**3,212**	**–**	**–**	**–**	**3,212**	–	–	–	–	–
Contributions receivable, net	**768**	**–**	**–**	**–**	**768**	388	–	–	–	388
Accounts receivable, net	**1,321**	**393**	**2,378**	**–**	**4,092**	915	553	2,399	–	3,867
Inventory	**–**	**789**	**–**	**–**	**789**	–	746	–	–	746
Prepaid expenses and other current assets	**233**	**69**	**95**	**–**	**397**	473	69	3	–	545
Due from participating local United Ways	**286**	**–**	**–**	**–**	**286**	–	–	–	–	–
Due from affiliates	**7,814**	**–**	**–**	**(7,814)**	**–**	4,452	–	–	(4,452)	–
Total current assets	**64,436**	**2,538**	**24,474**	**(7,814)**	**83,634**	39,030	2,591	30,505	(4,452)	67,674
Noncurrent assets:										
Custodial assets	**1,649**	**–**	**–**	**–**	**1,649**	1,634	–	–	–	1,634
Land, building, equipment, and leasehold improvements, net	**7,375**	**73**	**61**	**–**	**7,509**	7,695	153	864	–	8,712
Contributions receivable	**275**	**–**	**–**	**–**	**275**	275	–	–	–	275
Investment in subsidiary	**1,527**	**–**	**–**	**(1,527)**	**–**	1,527	–	–	(1,527)	–
Other noncurrent assets	**295**	**17**	**–**	**–**	**312**	–	27	–	–	27
Prepaid pension asset	**3,918**	**219**	**–**	**–**	**4,137**	–	272	–	–	272
Total noncurrent assets	**15,039**	**309**	**61**	**(1,527)**	**13,882**	11,131	452	864	(1,527)	10,920
Total assets	**$ 79,475**	**$ 2,847**	**$ 24,535**	**$ (9,341)**	**$ 97,516**	$ 50,161	$ 3,043	$ 31,369	$ (5,979)	$ 78,594

See accompanying notes.

United Way of America and Subsidiaries

Consolidated Statements of Financial Position—with Consolidating Details (continued)

(In Thousands)

	December 31, 2006					December 31, 2005				
	United Way of America	**United Way Store**	**United eWay**	**Consolidation Eliminations**	**Consolidated**	**United Way of America**	**United Way Store**	**United eWay**	**Consolidation Eliminations**	**Consolidated**
Liabilities and net assets and equity										
Current Liabilities:										
Accounts payable and accrued liabilities	**$ 5,147**	**$ 398**	**$ 560**	**$ –**	**$ 6,105**	$ 4,010	$ 370	$ 901	$ –	$ 5,281
Distributions payable to local United Ways	**1,904**	**–**	**–**	**–**	**1,904**	–	–	–	–	–
Amounts raised on behalf of others										
Current campaign (net of allowance of $881)	**9,306**	**–**	**–**	**–**	**9,306**	–	–	–	–	–
Prior campaign (net of allowance of $3,160)	**12,775**	**–**	**–**	**–**	**12,775**	–	–	–	–	–
Accrued reorganization expenses	**947**	**–**	**–**	**–**	**947**	–	–	–	–	–
Advances on grants not awarded	**2,769**	**–**	**–**	**–**	**2,769**	–	–	–	–	–
Custodial funds	**4,848**	**–**	**22,001**	**–**	**26,849**	2,864	–	28,103	–	30,967
Postretirement benefits	**158**	**–**	**–**	**–**	**158**	167	–	–	–	167
Debt	**–**	**–**	**740**	**–**	**740**	–	–	–	–	–
Income taxes payable	**–**	**–**	**–**	**–**	**–**	–	49	–	–	49
Deferred revenue:										
Membership support and other	**–**	**–**	**269**	**–**	**269**	101	–	–	–	101
Training programs, conference, and fees	**2,833**	**–**	**–**	**–**	**2,833**	3,039	–	–	–	3,039
Due to affiliates	**–**	**20**	**7,794**	**(7,814)**	**–**	–	69	4,383	(4,452)	–
Total current liabilities	**40,687**	**418**	**31,364**	**(7,814)**	**64,655**	10,181	488	33,387	(4,452)	39,604
Noncurrent liabilities:										
Custodial liability	**1,649**	**–**	**–**	**–**	**1,649**	1,634	–	–	–	1,634
Accrued pension	**2,705**	**–**	**458**	**–**	**3,163**	3,553	–	2	–	3,555
Deferred rent	**588**	**–**	**–**	**–**	**588**	–	–	–	–	–
Postretirement benefits, net of current portion	**2,556**	**–**	**–**	**–**	**2,556**	2,711	–	–	–	2,711
Debt	**–**	**–**	**3,910**	**–**	**3,910**	–	–	5,000	–	5,000
Noncurrent deferred tax liability	**–**	**5**	**–**	**–**	**5**	–	2	–	–	2
Other noncurrent liabilities	**97**	**–**	**1**	**–**	**98**	120	–	–	–	120
Total noncurrent liabilities	**7,595**	**5**	**4,369**	**–**	**11,969**	8,018	2	5,002	–	13,022
Total liabilities	**48,282**	**423**	**35,733**	**(7,814)**	**76,624**	18,199	490	38,389	(4,452)	52,626
Net assets and equity:										
Unrestricted	**13,475**	**–**	**(11,198)**	**–**	**2,277**	10,540	–	(7,020)	–	3,520
Temporarily restricted	**17,440**	**–**	**–**	**–**	**17,440**	21,422	–	–	–	21,422
Permanently restricted	**278**	**–**	**–**	**–**	**278**	–	–	–	–	–
Common stock	**–**	**10**	**–**	**(10)**	**–**	–	10	–	(10)	–
Additional paid-in capital	**–**	**1,517**	**–**	**(1,517)**	**–**	–	1,517	–	(1,517)	–
Retained earnings—UW Store	**–**	**897**	**–**	**–**	**897**	–	1,026	–	–	1,026
Total net assets and equity	**31,193**	**2,424**	**(11,198)**	**(1,527)**	**20,892**	31,962	2,553	(7,020)	(1,527)	25,968
Total liabilities and net assets and equity	**$ 79,475**	**$ 2,847**	**$ 24,535**	**$ (9,341)**	**$ 97,516**	$ 50,161	$ 3,043	$ 31,369	$ (5,979)	$ 78,594

See accompanying notes.

United Way of America and Subsidiaries

Consolidated Statements of Activities—with Consolidating Details

Year ended December 31, 2006

(In Thousands)

	United Way of America							
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	United Way Store	United eWay	Consolidation Eliminations	Consolidated
Revenues								
Public support:								
Membership support, net	$ 28,978	$ –	$ –	$ 28,978	$ –	$ –	$ –	$ 28,978
Campaign efforts	–	29,800	–	29,800	–	–	–	29,800
Less gross amounts raised on behalf of others	–	(21,449)	–	(21,449)	–	–	–	(21,449)
Less allowance for uncollectible pledges	–	(634)	–	(634)	–	–	–	(634)
Contributions	3,842	11,627	2	15,471	–	6	–	15,477
Total public support	32,820	19,344	2	52,166	–	6	–	52,172
Other revenue:								
Promotional material sales	428	–	–	428	6,147	–	–	6,575
Program service fees	957	303	–	1,260	–	–	(318)	942
Investment income	618	320	–	938	39	890	(200)	1,667
Conferences	2,552	–	–	2,552	–	70	–	2,622
Rental and service income	405	–	–	405	–	–	–	405
Transaction fees	–	–	–	–	–	3,307	–	3,307
Miscellaneous and other	278	144	–	422	–	3	–	425
Total other revenue	5,238	767	–	6,005	6,186	4,270	(518)	15,943
Net assets released from restrictions	24,093	(24,093)	–	–	–	–	–	–
Total revenues	62,151	(3,982)	2	58,171	6,186	4,276	(518)	68,115
Expenses								
Program services:								
Investor Relations	6,639	–	–	6,639	–	–	–	6,639
Community Impact Leadership	5,031	–	–	5,031	–	–	–	5,031
Center for Community Leadership	6,519	–	–	6,519	–	–	–	6,519
Public Policy	24,715	–	–	24,715	–	–	–	24,715
Brand Leadership	7,880	–	–	7,880	–	–	–	7,880
Enterprise Services	2,281	–	–	2,281	–	–	–	2,281
Campaign and public relations	388	–	–	388	–	–	–	388
Cost of goods sold	–	–	–	–	3,584	–	(318)	3,266
Selling expenses	–	–	–	–	325	–	–	325
Funds distribution	–	–	–	–	–	6,056	–	6,056
Total program costs and cost of revenue	53,453	–	–	53,453	3,909	6,056	(318)	63,100
Supporting services:								
General and administrative	5,795	–	–	5,795	2,241	1,933	–	9,969
Fund-raising	577	–	–	577	–	–	–	577
Provision for income taxes	–	–	–	–	(35)	–	–	(35)
Total supporting services	6,372	–	–	6,372	2,206	1,933	–	10,511
Total expenses	59,825	–	–	59,825	6,115	7,989	(318)	73,611
Changes in net assets before the establishment of the UWA Endowment Fund and change in minimum pension liability	2,326	(3,982)	2	(1,654)	71	(3,713)	(200)	(5,496)
Establish UWA Endowment Fund	(276)	–	276	–	–	–	–	–
Change in minimum pension liability	1,201	–	–	1,201	–	(465)	–	736
Write off assumption of assets	(316)	–	–	(316)	–	–	–	(316)
Changes in net assets	2,935	(3,982)	278	(769)	71	(4,178)	(200)	(5,076)
Net assets and equity beginning of year	10,540	21,422	–	31,962	1,026	(7,020)	–	25,968
Dividend to United Way of America	–	–	–	–	(200)	–	200	–
Net assets and equity end of year	$ 13,475	$ 17,440	$ 278	$ 31,193	$ 897	$ (11,198)	$ –	$ 20,892

See accompanying notes.

United Way of America and Subsidiaries

Consolidated Statements of Activities—with Consolidating Details (continued)

Year ended December 31, 2005

(In Thousands)

	United Way of America				United Way Store	United eWay	Consolidation Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total				
Revenues								
Public support:								
Membership support, net	$ 28,891	$ –	$ –	$ 28,891	$ –	$ 340	$ –	$ 29,231
Contributions	1,555	28,884	–	30,439	–	–	–	30,439
Total public support	30,446	28,884	–	59,330	–	340	–	59,670
Other revenue:								
Promotional material sales	713	–	–	713	5,801	–	–	6,514
Program service fees	1,008	220	–	1,228	–	–	–	1,228
Investment income	461	17	–	478	21	756	(200)	1,055
Conferences	1,830	–	–	1,830	–	62	–	1,892
Rental and service income	412	234	–	646	–	–	–	646
Transaction fees	–	–	–	–	–	2,979	–	2,979
Miscellaneous and other	219	–	–	219	–	22	–	241
Total other revenue	4,643	471	–	5,114	5,822	3,819	(200)	14,555
Net assets released from restrictions	14,682	(14,682)	–	–	–	–	–	–
Total revenues	49,771	14,673	–	64,444	5,822	4,159	(200)	74,225
Expenses								
Program services:								
Investor Relations	5,944	–	–	5,944	–	–	–	5,944
Community Impact Leadership	6,008	–	–	6,008	–	–	–	6,008
Center for Community Leadership	5,622	–	–	5,622	–	–	–	5,622
Public Policy	14,531	–	–	14,531	–	–	–	14,531
Brand Leadership	8,872	–	–	8,872	–	–	–	8,872
Enterprise Services	2,190	–	–	2,190	–	–	–	2,190
Cost of goods sold	–	–	–	–	3,226	–	–	3,226
Selling expenses	–	–	–	–	1,448	–	–	1,448
Funds distribution	–	–	–	–	–	5,042	–	5,042
Total program costs and cost of revenue	43,167	–	–	43,167	4,674	5,042	–	52,883
Supporting services:								
General and administrative	3,952	–	–	3,952	1,110	1,477	–	6,539
Fundraising	616	–	–	616	–	–	–	616
Provision for income taxes	–	–	–	–	(35)	–	–	(35)
Total supporting services	4,568	–	–	4,568	1,075	1,477	–	7,120
Total expenses	47,735	–	–	47,735	5,749	6,519	–	60,003
Changes in net assets before postretirement and pension adjustments	2,036	14,673	–	16,709	73	(2,360)	(200)	14,222
Change in minimum pension liability	481	–	–	481	178	–	–	659
Changes in net assets	2,517	14,673	–	17,190	251	(2,360)	(200)	14,881
Net assets, retained earnings, and accumulated other comprehensive income beginning of year	8,023	6,749	–	14,772	975	(4,660)	–	11,087
Dividend to United Way of America	–	–	–	–	(200)	–	200	–
Net assets, retained earnings, and accumulated other comprehensive income end of year	$ 10,540	$ 21,422	$ –	$ 31,962	$ 1,026	$ (7,020)	$ –	$ 25,968

See accompanying notes.

United Way of America and Subsidiaries

Consolidated Statements of Cash Flows—with Consolidating Details

(In Thousands)

	Year ended December 31, 2006					Year ended December 31, 2005				
	United Way of America	**United Way Store**	**United eWay**	**Consolidation Eliminations**	**Consolidated**	**United Way of America**	**United Way Store**	**United eWay**	**Consolidation Eliminations**	**Consolidated**
Cash flows from operating activities										
Changes in net assets/net income	$ (769)	$ 71	$ (4,178)	$ (200)	$ (5,076)	$ 17,190	$ 73	$ (2,360)	$ (200)	$ 14,703
Adjustments to reconcile changes in net assets/net income to net cash flows provided by (used in) operating activities:										
Depreciation and amortization	804	88	861	–	1,753	760	90	781	–	1,631
Custodial fund receipts	170,983	–	325,270	–	496,253	173,032	–	215,211	(4,406)	383,837
Custodial fund disbursements	(168,984)	–	(331,350)	–	(500,334)	(173,356)	–	(211,249)	4,406	(380,199)
Deferred tax provisions	–	3	–	–	3	–	141	–	–	141
Realized investment loss	–	–	(22)	–	(22)	–	–	22	–	22
Changes in assets and liabilities:										
Custodial funds	(1,998)	–	6,102	–	4,104	324	–	(3,984)	–	(3,660)
Membership support receivable, net	892	–	–	–	892	(599)	–	–	–	(599)
Campaign receivables	(13,720)	–	–	–	(13,720)					
Account receivables, net	(406)	160	(71)	–	(317)	(140)	644	(1,742)	–	(1,238)
Contributions receivable	(380)	–	–	–	(380)	(157)	–	–	–	(157)
Inventory	–	(43)	–	–	(43)	–	(121)	–	–	(121)
Prepaid expenses and other current assets	240	–	–	–	240	(185)	(13)	–	–	(198)
Other noncurrent assets	(295)	10	–	–	(285)	(99)	(4)	–	–	(103)
Due from participating United Ways	(286)	–	–	–	(286)	–	–	–	–	–
Due to/from affiliates	(3,362)	(49)	3,411	–	–	(2,324)	(81)	2,392	–	(13)
Prepaid pension asset	(3,918)	53	–	–	(3,865)	–	–	–	–	–
Accounts payable and accrued liabilities	1,137	(21)	(341)	–	775	673	81	63	–	817
Distributions payable to local United Ways	1,904	–	–	–	1,904	–	–	–	–	–
Amounts raised on behalf of others	22,081	–	–	–	22,081	–	–	–	–	–
Accrued reorganization expenses	947	–	–	–	947	–	–	–	–	–
Advances on grants not awarded	2,769	–	–	–	2,769	–	–	–	–	–
Deferred revenue	(307)	–	269	–	(38)	1,086	–	–	–	1,086
Postretirement benefits	(164)	–	456	–	292	(115)	–	–	–	(115)
Net accrued/prepaid pension	(848)	–	–	–	(848)	(269)	(123)	–	–	(392)
Deferred rent	588	–	–	–	588					
Other liabilities	(23)	–	1	–	(22)	75	(55)	–	–	20
Net cash flows provided by (used in) operating activities	6,885	272	408	(200)	7,365	15,896	632	(866)	(200)	15,462
Cash flows from investing activities										
Purchase of equipment	(484)	(8)	(58)	–	(550)	(405)	(81)	(461)	–	(947)
Net cash flows provided by (used in) investing activities	(484)	(8)	(58)	–	(550)	(405)	(81)	(461)	–	(947)
Cash flow from financing activities										
Dividend to UWA	–	(200)	–	200	–	–	(200)	–	200	–
Proceeds on issuance of debt	–	–	(350)		(350)	–	–	1,150	–	1,150
Net cash flows provided by (used in) financing activities	–	(200)	(350)	200	(350)	–	(200)	1,150	200	1,150
Net increase (decrease) in cash and cash equivalents	6,401	64	–	–	6,465	15,491	351	(177)	–	15,665
Cash and cash equivalents:										
Beginning of year	27,264	1,223	–	–	28,487	11,773	872	177	–	12,822
End of year	$ 33,665	$ 1,287	$ –	$ –	$ 34,952	$ 27,264	$ 1,223	$ –	$ –	$ 28,487

See accompanying notes.

1. Organization and Purpose

United Way of America (UWA) is a national organization supported primarily by local United Ways through membership dues. UWA serves the United Way movement by being an exemplary leader in philanthropy and an outstanding mobilizer of resources, helping to shape the nation's health and human services agenda and create a better quality of life for all. UWA's mission is to improve lives by mobilizing the caring power of communities.

UWA has received an exemption from the Internal Revenue Service (IRS) 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. UWA is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose.

UWA receives annual membership support through a licensing arrangement with local United Ways to use the name and service marks owned by UWA. Membership support calculations are performed by all member organizations and payments are made from donor contributions. If any local United Way does not remit membership support, the organization's right to use the name and service marks may be revoked.

In accordance with a plan authorized by the Boards of Governors of United Way of Tri-State, Inc. ("UWTS") and of United Way of America ("UWA") in June 2005, and adopted by the Board of Governors of UWTS and of UWA in March 2006 and January 2006, respectively, UWTS and UWA agreed that Tri-State would transfer all its assets and its liabilities to UWA. UWTS completed the transfer on October 1, 2006 and began operating as the Tri-State Regional office of UWA. UWTS net assets (liabilities) transferred to UWA as of October 1, 2006 were $(315,521). This balance was written off as of October 1, 2006 and recorded as a non-operating adjustment to net assets. Operating results of UWTS are included in the consolidated statement of activities from October 1, 2006.

UWA uses the following program service categories for reporting purposes:

Investor Relations—Support for system-wide programs including National Corporate Leadership, major gifts, Alexis de Tocqueville program, planned giving, and community and public sector campaigns.

Community Impact Leadership—Grant distribution services, community building, national agencies' support, volunteer development, Mobilization for America's Children, housing, literacy programs, 2-1-1 initiative, and Success by 6.

1. Organization and Purpose (continued)

Center for Community Leadership—Training programs for volunteers and staff, national conferences, and organizational learning.

Public Policy—Leads UWA's federal advocacy efforts on behalf of the United Way movement to promote key issues before Congress and the White House. Also, provides regional and technical consultative support to local United Ways, coordination of national activities at the regional level, and crisis response.

Brand Leadership—Branding and promotion, public relations, research, publishing and production of campaign films and materials, production of National Football League television spots, and internal communication.

Enterprise Services—Encompasses both the technology assets as well as the alternative services delivery structures associated with specific product groups. The technology assets include the internal technology operations, the national Web site, and the extranet connecting local United Ways.

Campaign and Public Relations—UWA's Tri-State (Tri-State) regional office is responsible for raising charitable funds from employees and companies through United Way campaigns at a group of participating companies whose employees live and/or work in the New York Tri-State region and who elect to participate in the regional campaign. Workplace campaigns at participating companies are organized in cooperation with thirty participating local United Ways in the Tri-State region.

Tri-State is responsible for collecting and distributing pledges received in the campaigns from participating companies and their employees. Local United Ways administer campaigns in connection with other companies and such companies are not part of the campaign income of Tri-State or considered in the Tri-State distribution formula.

United Way Store (UW Store) is a wholly owned, for-profit subsidiary of UWA. To better identify itself with the United Way movement, in 2005, UW Store changed its name from Sales Service/America, Inc. UW Store's purpose is to provide sales fulfillment services to UWA and other organizations. Sales to UWA and local United Way agencies accounted for approximately 72% and 60% of UW Store's sales for 2006 and 2005, respectively.

1. Organization and Purpose (continued)

United eWay (eWay) combines advanced online giving with integrated pledge processing and fund distribution services for corporate philanthropic programs. eWay is a wholly owned subsidiary of UWA. eWay has received an exemption 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.

2. Summary of Significant Accounting Policies

Presentation

The accompanying consolidated financial statements include UWA, UW Store, and eWay (the Companies). All intercompany transactions are eliminated in consolidation. Certain prior year amounts have been reclassified to conform to current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported 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.

Cash and Cash Equivalents

Cash equivalents consist of money market funds with original maturities of three months or less.

As of December 31, 2006 and 2005, cash equivalents include $9.7 million and $21.5 million, respectively, of cash restricted or designated for specific purposes.

Custodial Funds

Since 1983, Congress has allocated $2.63 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 the Emergency Food and Shelter (EF&S) program, a separate congressionally authorized program of FEMA, which is not consolidated into UWA's financial statements. UWA

2. Summary of Significant Accounting Policies (continued)

Custodial Funds (continued)

was appointed fiscal agent for the EF&S program. 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 the custodian of the funds and is responsible for the administration and disbursement of grants as directed by the national board. UWA charged certain administrative expenses to EF&S (totaling $174,000 and $169,000 for the years ended December 31, 2006 and 2005, respectively). In 2006 approximately $148 million and $153 million respectively, were distributed in the form of grants to other charitable organizations. As of December 31, 2006 and 2005, undistributed balances of $4.8 million and $2.9 million, respectively, were included in custodial funds, with a corresponding liability in the accompanying consolidated statements of financial position.

At December 31, 2006 and 2005, eWay's custodial funds included approximately $22 million and $28 million, respectively, of cash restricted for distribution to specified recipient charitable organizations.

UWA acts as trustee for certain planned giving investments. Annuity payments are made to the donor, and any residual restricted by the donor benefits local United Ways. For the periods ended December 31, 2006 and 2005, approximately $1.6 million of such annuities are reflected in the consolidated statements of financial position as noncurrent custodial assets and custodial liabilities.

Under the Tri-State regional office distribution formula, undesignated campaign pledges from participating companies and their employees, after provision for collection losses and operating expenses, are distributed by a formula based on relative needs and geographic area in which the funds were raised. Funds for each campaign year are disbursed over a twelve-month period beginning in March. Distributions payable to local United Ways includes the balance of undesignated funds from the 2005-06 campaign.

The formula distribution to local participating United Ways for the 2006-07 campaign will be recorded in 2007 when the formula calculation is finalized and approved. Until the distribution is approved, it remains a contingent commitment and accordingly is not reflected as a liability or a distribution expense as of December 31, 2006.

2. Summary of Significant Accounting Policies (continued)

Revenue

UWA recognizes revenue when goods have been delivered or services have been rendered. Revenue is also recognized when support or contributions have been pledged.

Total campaign efforts, as shown on the statement of activities, reflects only a portion of the expected 2006-07 campaign through Tri-State. The 2006-07 campaign consists of donations pledged primarily in 2006 by the companies and employees for distribution in 2007. While most pledges may have been made in 2006, only those pledges that are supported by documentation that substantiate both the donor's unconditional promise to give and the instructions on the use of those funds have been recorded. Campaign efforts include contributions, amounts raised on behalf of others, and amounts raised by participating companies paid directly to recipient organizations. Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received or promised. Pledges received where the donor designates that the gift is for a specific United Way or nonprofit agency are accounted for as agency transactions. Accordingly, while such amounts are included in total campaign efforts in the accompanying financial statements they are deducted prior to reporting net distributable contribution. Amounts paid directly are contributions raised in the Tri-State region as part of the Tri-State's annual campaign.

United eWay's revenues are recorded within transaction fees within the consolidated statements of activity and consist of the following: wholesale and retail campaign management, legacy processing and distribution, basic distribution, volunteer suite, and conference revenue. Service fee revenues are generally related to access to the eWay online system, services associated with delivering donor gifts to the end user, and fees to administer customer programs. The Company's contracts generally contain access user fees, transaction fees, and administration fees. Additionally, some contracts contain fees for campaign management which are also classified as service fees in UWA's consolidated statements of net assets. The campaign management fees are deferred and recognized as revenue on a straight-line basis over the campaign period. Fees for monthly user and transaction fees are recognized in the month in which the services are provided. For certain campaign related fees, revenue is recorded ratably over the campaign and results in deferred revenue at each balance sheet date. The Company recognizes revenues from service fees when all of the following criteria are met: a) persuasive evidence of an arrangement exists; b) delivery has occurred or services have been rendered; c) the seller's price to the buyer is fixed or determinable; and d) collectibility is reasonably assured.

2. Summary of Significant Accounting Policies (continued)

Revenue (continued)

Additionally the Company earns interest on funds provided by its customers for distribution to United Way Members. eWay is contractually allowed to hold the funds for up to 45 days and earn interest on those funds. The collection of interest on these clearing accounts is considered in the Company's determination of its fee structure for clients and represents a portion of the payment for services performed by the Company. The interest totaled $890,000 and $756,000 for the years ended December 31, 2006 and 2005, respectively, and is classified as investment income in the Company's consolidated statements of activities. United eWay's volunteer suite of products are provided to local United Ways and to Volunteer Centers who pay an annual licensing fee to have access to the online volunteer management services. Fees associated with this annual license fee are recognized ratably over the license period.

United eWay charges a registration fee to attendees of its annual conference held in June each year. This registration fee and any sponsorships of the conference are recognized in the year they are provided.

Membership Support Receivable and Revenue

Membership support receivable is recorded in the year in which commitments from local United Ways are received. Membership support revenue from amounts pledged for future years is deferred and is recognized as revenue in the year to which the pledge relates.

An allowance for doubtful accounts is maintained, and the membership support receivable is shown net of this allowance in the accompanying consolidated statements of financial position. This allowance is calculated as 3% of uncollected pledges.

The major components of membership support receivable at December 31 were as follows (in thousands):

	2006	**2005**
Membership support receivable	**$ 1,837**	$ 2,754
Allowance for doubtful accounts	**(55)**	(80)
Membership support receivable, net	**$ 1,782**	$ 2,674

2. Summary of Significant Accounting Policies (continued)

Membership Support Receivable and Revenue (continued)

Membership support revenue in the accompanying consolidated statements of activities is net of a credit provided for future training of members. The amount of the credit was approximately $3.9 million in 2006 and $3.7 million in 2005. Credits are reflected as deferred revenue in the accompanying consolidated statements of financial position until used or expired, at which time program service fee revenue or expired credit revenue is recognized, respectively.

Contributions Receivable and Revenue

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 are reclassified as net assets released from restrictions in the same year. Promises to contribute that stipulated conditions to be met before the contribution is made are not accrued until the conditions are met. As of December 31, 2006 and 2005, UWA had received no conditional promises to give.

Unconditional promises to give are recorded at their net realizable values as unrestricted revenue. Unconditional promises to give that are expected to be collected in future years are discounted to their estimated present values using a then current risk-free interest rate. A discount was not necessary for the years ended 2006 and 2005, respectively.

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

	2006	**2005**
Amounts due in:		
Less than one year	**$ 768**	$ 388
One to five years	**275**	275
Total	**$ 1,043**	$ 663

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded for funds due for service provided or the delivery of goods.

An allowance for doubtful accounts is maintained based on internal reserve policies, and the accounts receivable are shown net of this allowance in the accompanying consolidated statements of financial position.

Accounts receivable in the accompanying consolidated statements of financial position include the following (in thousands).

	2006		
	UWA	**UW Store**	**eWay**
Accounts receivable	**$ 1,344**	**$ 439**	**$ 2,511**
Allowance for doubtful accounts	**(23)**	**(46)**	**(133)**
Total	**$ 1,321**	**$ 393**	**$ 2,378**

	2005		
	UWA	**UW Store**	**eWay**
Accounts receivable	$ 921	$ 609	$ 2,449
Allowance for doubtful accounts	(6)	(56)	(50)
Total	$ 915	$ 553	$ 2,399

Inventory

Inventory is accounted for at the lower of cost or net realizable value. Costs applicable to inventories on hand are principally determined using the weighted-average cost method. When inventory is determined to be excessive or obsolete, it is reduced by an allowance for estimated excess or obsolete inventory. UW Store wrote off approximately $78,000 and $67,000 of obsolete inventory for the years ended 2006 and 2005, respectively, and had an allowance of $8,000 and $31,000 at December 31, 2006 and 2005, respectively.

2. Summary of Significant Accounting Policies (continued)

Land, Building, Equipment, and Leasehold Improvements

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

	UWA	UW Store	eWay
Building	35 years	N/A	N/A
Furniture, equipment, and software	3-5 years	3-7 years	3 years
Leasehold improvements, and/or building improvements, and capital leases	5-15 years	The lesser of the term of the lease or the life of the asset	N/A
Capitalization threshold	\$2,500	\$250	\$2,500

Web Site Development Costs

UWA accounts for its Web site development costs as it relates to eWay in accordance with Emerging Issues Task Force (EITF) 00-02, *Accounting for Web Site Development Costs.* As such, UWA expenses all costs incurred that relate to the planning and postimplementation phases of development. Costs incurred in the development phase are capitalized to the extent their estimated useful life exceeds one year. Any capitalized costs are amortized over the asset's useful lives of three years. Cost incurred associated with repairs and maintenance of the existing site or the development of Web site content is expensed as incurred. During the year ended December 31, 2006, management concluded that due to a lack of revenues generated to date, and future expected losses at eWay, the web site development costs related to the eWay portal were impaired. The Company recorded an impairment charge of \$292,000 related to unamortized web site development costs. These costs are included within the consolidated statement of activities as funds distribution expenses.

2. Summary of Significant Accounting Policies (continued)

Net Assets

Net assets are classified in 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 purposes, at which time they are reported in the consolidated statements of activities as net assets released from restrictions. Permanently restricted net assets are contributions that may never be spent (i.e., endowment funds). They are provided with donor stipulations that they be invested to provide a permanent source of income.

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

Type of Restriction	2006	2005
Disaster response and recovery	**$ 8,543**	$ 19,523
Initiative to benefit children, youth, and families	**412**	334
Initiatives to generate major donations to local United Way member organizations	**107**	641
Scholarships	**68**	68
Initiatives to assist communities in determining their social needs	**–**	287
Economic self-sufficiency	**1**	118
Organizational transformation	**119**	195
Campaign and public relations	**7,716**	–
Other	**474**	256
Total temporarily restricted net assets	**$ 17,440**	$ 21,422

3. Land, Building, Equipment, and Leasehold Improvements

At December 31, 2006 and 2005, land, building, equipment, and leasehold improvements, at cost, were as follows (in thousands):

	2006		
	UWA	**UW Store**	**eWay**
Land	**$ 2,102**	**$ –**	**$ –**
Building and building improvements	**12,360**	**–**	**–**
Leasehold improvements	**1,294**	**46**	**–**
Furniture, equipment, and software	**6,924**	**708**	**571**
Web site development costs	**–**	**–**	**–**
Less: accumulated depreciation and amortization	**(15,303)**	**(681)**	**(510)**
	$ 7,377	**$ 73**	**$ 61**

	2005		
	UWA	**UW Store**	**eWay**
Land	$ 2,102	$ –	$ –
Building and building improvements	12,360	–	–
Leasehold improvements	952	46	–
Furniture, equipment, and software	4,586	700	494
Web site development costs	–	–	1,980
Less: accumulated depreciation and amortization	(12,305)	(593)	(1,610)
	$ 7,695	$ 153	$ 864

Depreciation totaled $1,753,000 and $1,630,000 for the years ended December 31, 2006 and 2005, respectively. Amortization of the Web site development costs totaled $499,000 and $593,000 for the years ended December 31, 2006 and 2005, respectively.

4. Income Taxes

UWA is required to file IRS Form 990-T when it incurs taxable income. UWA received approximately $318,000 and $313,000 in royalty income from UW Store for the years 2006 and 2005, respectively.

4. Income Taxes (continued)

UW Store follows Statement of Financial Accounting Standards (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 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 for income taxes included the following components (in thousands):

	2006	**2005**
Current tax provision:		
Federal	**$(38)**	$ (9)
State	**–**	(1)
Total current provision	**(38)**	(10)
Deferred tax provision:		
Federal	**3**	(22)
State	**–**	(3)
Total deferred provision	**3**	(25)
Total provision for income taxes	**$(35)**	$(35)

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, 2006 and 2005, were as follows (in thousands):

	2006	**2005**
Tax depreciation and amortization	**$ 7**	$ (7)
Prepaid pension	**(37)**	(20)
Accounts receivable allowances	**16**	7
Inventory allowance	**3**	11
Other	**6**	7
Net noncurrent deferred tax assets (liability)	**$ 5**	$ (2)

4. Income Taxes (continued)

The UW Store tax provision varies from the U.S. statutory federal income tax rate as a result of state taxes.

5. Debt

In 2005, UWA renewed an unsecured line-of-credit agreement for $5 million. Borrowings under this line are payable upon expiration of the agreement and are subject to certain conditions. The line of credit bears interest at LIBOR plus 1.2%. The line expires on August 31, 2007. There were no borrowings outstanding on the line at December 31, 2006 and 2005.

UW Store has a $250,000 line-of-credit agreement. The interest rate on the line is prime plus 1%, payable monthly. The line expires on June 30, 2007. UW Store had 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 2006 and 2005.

eWay entered into a $5.0 million term loan agreement on May 18, 2004. The interest rate on the line is prime plus 2.5%, payable monthly. The loan is due to expire on May 1, 2011. UWA is the guarantor for the entire term loan. Additionally, as a condition of the loan, UWA must maintain a cash balance of $5.0 million on December 31 of each year. Principal repayment on this loan began in June 2006 at the rate of $50,000 per month. This repayment amount will increase to $70,000 per month in June 2007. The balance outstanding on the term loan was $4.7 million and $5.0 million as of December 31, 2006 and 2005, respectively. UWA and UW Store incurred no interest expense in 2006 and 2005. eWay incurred approximately $373,000 and $252,000 interest expense in 2006 and 2005, respectively. eWay paid interest totaling $373,000 and $252,000 for the years ended December 31, 2006 and 2005, respectively.

The repayment of principal on the eWay term loan consists of (in thousands):

	Principal
2007	$ 740
2008	970
2009	1,171
2010	1,563
2011	206
Total	$ 4,650

6. Pension and Other Postretirement Benefits

The Pension Plan of the United Way of America is a qualified, noncontributory defined benefit pension plan, which includes UW Store and eWay, and covers employees who have reached the age of 21 and 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 the date of hire, and is nonforfeitable upon attainment of early retirement age. Contributions to the plan are based on actuarially determined amounts.

Effective July 1, 2005, the benefit levels of participants in the plan were frozen and new employees are precluded from participating in the plan.

Employees retiring from UWA on or after attaining age 55 and with five years of credited service are entitled to postretirement life insurance and medical and dental benefit coverage. These benefits are subject to deductibles, copayment provisions, and other limitations.

The following table summarizes the actuarially determined benefit obligations, the fair value of plan assets, and the funded status of the UWA pension and other postretirement benefit plans and accrued benefit costs at October 31, 2006 and 2005 (in thousands):

	UWA			
	Pension Benefits		**Postretirement Benefits**	
	2006	**2005**	**2006**	**2005**
Benefits obligation	**$ 28,478**	$ 27,735	**$ 1,334**	$ 1,354
Fair value of plan assets[a]	**22,477**	21,111	**–**	–
Funded status	**(6,001)**	(6,624)	**(1,334)**	(1,354)
Accrued benefit cost recognized in the consolidated statements of financial position, net as of December 31	**(3,163)**	(3,555)	**(2,714)**	(2,878)

(a) Plan assets consist of investments in funds administered by State Street Bank and Trust and Mutual of America Life Insurance Company. Mutual of America investments consist of a general account, a pooled separate account (pooled common stock fund), and a pooled midterm bond account. State Street Bank investments consist of a Russell 3000 Index Fund, a SSGA EAFE Fund, a SSGA Bond Market Fund, and cash and cash equivalents.

6. Pension and Other Postretirement Benefits (continued)

At December 31, 2006 and 2005, the accumulated benefit obligation of $23,826,000 and $23,352,000, respectively, of the UWA noncontributory defined benefit plan exceeded the fair value of the plan assets. As a result, an additional minimum pension liability adjustment was required to be recorded, which resulted in an increase (reduction) in net assets of $1,201,000 in 2006 and $481,000 in 2005 for UWA and accumulated other comprehensive gain (loss), net of tax, of $(38,000) in 2006 and $178,000 in 2005 for UW Store.

The amounts of contributions, benefit payments, and benefit cost reflected in the consolidated statements of activities for the years ended December 31, 2006 and 2005, were as follows (in thousands):

	UWA			
	Pension Benefits		**Postretirement Benefits**	
	2006	**2005**	**2006**	**2005**
Interest costs	**$ 1,584**	$ 1,640	**$ 75**	$ 80
Service costs	**–**	598	**19**	26
Expected return on assets	**(1,536)**	(1,640)	**–**	–
Amortization of prior service costs	**–**	(27)	**(59)**	(59)
Amortization of losses (gains)	**598**	845	**(41)**	(39)
Amortization of transition obligation	**(24)**	(29)	**–**	–
Total benefit cost	**$ 622**	$ 1,387	**$ 6**	$ 8
Employer contribution	**$ 20**	$ 1,924	**$ 158**	$ 123
Benefits paid	**(1,299)**	(1,329)	**(158)**	(123)

UWA's share of expenses in the pension plans for 2006 and 2005 was approximately $410,000 and $1,306,000, respectively. UW Store's share of the expenses in the pension plans for 2006 and 2005 was $53,000 and $86,000, respectively.

6. Pension and Other Postretirement Benefits (continued)

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

	Pension Benefits		Postretirement Benefits	
	2006	**2005**	**2006**	**2005**
Discount rate	**5.75%**	5.75%	**5.75%**	5.75%
Expected return on plan assets	**8.0**	8.0	**N/A**	N/A
Rate of compensation increase	**5.0**	5.0	**N/A**	N/A

To develop the expected long-term rate of return on asset assumptions, UWA considered the historical returns and the future expectations for returns for each asset class, as well as target asset allocation of the pension portfolio. This resulted in the selection of the 8% long-term rate of return on assets assumption.

For measurement purposes, the 2006 annual rates of increase in the per capita cost of covered healthcare claims for 2006 were as follows:

Age under 65	3.4%
Age 65 and older	1.7%

The rate was assumed to decrease gradually from 9.1% to 5.5% for medical coverage through 2013 and remain at that level thereafter and increase 5.5% per year for dental coverage.

The assets held by the pension plan, by category, as of December 31 were:

Asset Category	2006	2005
Equities	**61%**	62%
Fixed income/cash	**39**	38
Total	**100%**	100%

The pension plan assets are diversified to minimize risk and maximize returns. The targeted asset allocation is 60% equities and 40% fixed income/cash. The pension plan assets are managed by professional investment managers and are monitored by management and UWA's Finance Committee.

6. Pension and Other Postretirement Benefits (continued)

Estimated future benefit payments expected to be paid over the next 10 years under the pension plans and the postretirement plan as of December 31 (in thousands):

	Pension Plans	Postretirement Plan
2007	$ 879	$ 110
2008	678	107
2009	2,087	104
2010	2,175	102
2011	781	98
2012 to 2016	7,985	470
Total	$ 14,585	$ 991

The United Way of America 415 Replacement Plan is a nonqualified, noncontributory defined benefit pension plan established 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.

The United Way of America Senior Vice President's Plan is a nonqualified, noncontributory plan established 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.

The United Way of America Supplemental Pension Benefit Plan is a nonqualified, noncontributory plan established in 2000. This plan was established to replace benefits in the qualified plan for participants affected by IRS salary limits, as well as benefit limits.

In 1997, UW Store approved a 401(k) plan for all employees. UW Store accrued contributions of $80,000 and $52,000 for the plan in 2006 and 2005, respectively.

United Way of America offers a contributory defined contribution pension plan (IRC Section 403(b)), that provides for employer matching contributions of the employee contributions (3% to 5% of annual salary depending on years of service) plus an additional contribution of 1% to 3% depending on years of service. UWA's contribution to this plan was $745,000 and $545,000 for the years ended 2006 and 2005, respectively. As of October 1, 2006, Tri-State began participation in this plan.

6. Pension and Other Postretirement Benefits (continued)

Tri-State maintains an additional benefit plan to provide employees with the benefit they are not eligible to receive under the qualified pension plan because of limits imposed by ERISA and the Internal Revenue Code. The projected benefit is estimated to be approximately $262,000 of which Tri-State has accrued $262,000 at December 31, 2006. Pension expense for these benefits amounted to $3,000 for the three-month period ended December 31, 2006.

Tri-State owns several life insurance policies with split dollar arrangements for certain retired executives. The total of the values of these policies are $145,000 and is included in other noncurrent assets on the statement of financial position.

Tri-State has a deferred compensation agreement for the payment of an annuity over the beneficiary's life with any remaining benefits to be distributed to the beneficiary's estate. Liability for this plan is considered fully defeased and is not presented on the statement of financial position. The fair market value of this plan was $773,000 at December 31, 2006.

Tri-State has a separate noncontributory defined benefit retirement plan that covers all of its full-time employees. Plan benefits were frozen for all participants, prior to the transfer to United Way of America.

Pension costs for the Tri-State noncontributory defined benefit retirement plan consisted of the following components for the three months ended December 31:

Interest cost on projected benefit obligation	$ 140,000
Gain on plan assets	(253,000)
Net amortization	188,000
Total	$ 75,000

6. Pension and Other Postretirement Benefits (continued)

The following table sets forth the Tri-State noncontributory defined benefit retirement plan's funded status at December 31, 2006 (in thousands):

Accumulated benefit obligation	$(4,781)
Fair value of plan assets	6,120
Funded status	$ 1,339
Prepaid cost recognized in the statements of financial position	$ 3,918
Benefits paid	455
Weighted Average assumptions:	
Discount rate	6.35%

The expected long-term rate of return on assets assumption was 8.5% as of December 31, 2006. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

There are no expected employer contributions for 2007.

Benefits expected to be paid under the Tri-State non-contributory defined benefit retirement plan in each of the next five fiscal years and the following five years in aggregate (in thousands):

2007	$ 217
2008	221
2009	232
2010	238
2011	247
5 years thereafter	1,486
Total	$ 2,641

6. Pension and Other Postretirement Benefits (continued)

The investment strategy for the Tri-State noncontributory defined benefit retirement plan is to generate reasonable returns while minimizing the risk of loss. In order to achieve these objectives, Tri-State developed an investment strategy which requires that funds to pay anticipated benefits be reserved each year, and that 60% of the remaining funds under investment be invested in index mutual funds that invest in equities and 40% in index funds that invest in bonds. The policy also prohibits investments in derivative instruments, private placements, limited partnerships, and commodities, as well as short selling and transactions on margin. Going forward, the pension plan assets will be monitored by UWA management and UWA's Finance Committee.

7. Licenses

United Way International (UWI) is a separate charitable organization 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 fundraising, 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 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. Under terms of an annual contract, in 2006 and 2005 UWA leased office space to UWI at a monthly rent of approximately $6,000 and $4,000, respectively.

8. Commitments and Contingencies

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. The UWA lease for the Tri-State office expires July 31, 2012. The space and the cost are shared by eWay. An office lease on a second location that is no longer used by UWA due to the reorganization expires July 31, 2012. UWA has sublet this space to a third party through July 30, 2012, to recover approximately 60% of the total lease cost. The present value of the future lease payments on the unused location, net of proceeds from the sublease, is approximately $624,000 and is included in accrued reorganization expenses with the consolidated statement of financial position. Leased office equipment includes the telephone system and computer components. Rent expense was approximately $460,000 and $316,000 in 2006 and 2005, respectively.

8. Commitments and Contingencies (continued)

The UW Store main office lease expires November 30, 2009. Rent expense for the UW Store amounted to approximately $141,000 and $117,000 for the years ending 2006 and 2005.

Future minimum lease payments under the operating leases as of December 31, 2006, are as follows (in thousands):

	UWA	UW Store	Sublease Income	Total
2007	$ 1,056	$ 124	$ (193)	$ 987
2008	1,106	160	(197)	1,069
2009	1,055	150	(201)	1004
2010	891	–	(201)	690
2011 and thereafter	1,563	–	(337)	1,226
Total future minimum lease payments	$ 5,671	$ 434	$(1,129)	$ 4,976

As previously described, Tri-State has commitments under the Tri-State formula to distribute undesignated contributions to local participating United Ways for the 2006-07 campaign that are contingent upon finalization and approval of the formula calculation.

9. In-Kind Donations

UWA received in-kind donations in 2006 and 2005 valued at $3.9 million and $2.7 million, respectively. These donations are reflected in UWA's statement of financial position.

In addition, UWA has maintained a mutually beneficial relationship with the National Football League (NFL) where UWA underwrites the cost to produce the Public Service Announcements (PSA) for broadcast during televised NFL games. The PSAs promote volunteerism in local United Way communities and feature NFL players involved in various local United Way community volunteer activities. The NFL donates the airtime for the PSAs to run during NFL games throughout the NFL season. UWA does not record this donation of the airtime as an in-kind gift due to the lack of direct benefit to UWA from the ads and UWA's financial inability to purchase such advertising, were it not to be donated. The estimated value of the donated airtime is estimated to be $25 million and $20 million for the 2006/2007 and 2005/2006 NFL seasons, respectively.

9. In-Kind Donations (continued)

An additional $34 million in airtime was donated by various contributors to promote United Way initiatives and support United Way's mission to improve lives by mobilizing the caring power of communities. Like the NFL PSAs, UWA does not record this donation of airtime as an in-kind gift due to the lack of direct benefit to UWA from the ads and UWA's financial inability to purchase such advertising, were it not to be donated.

Supplemental Schedule

United Way of America

Schedule of Functional Expenses

For the year ended December 31, 2006

(In Thousands)

	Program Services								Supporting Services			
	Investor Relations	**Community Impact Leadership**	**Center for Community Leadership**	**Public Policy**	**Brand Leadership**	**Enterprise Services**	**Campaign and Public Relations**	**Total Program Services**	**General and Administrative**	**Fund-Raising**	**Total Supporting Services**	**Total Expenses**
Salaries	$ 3,201	$ 2,226	$ 2,636	$ 2,099	$ 2,350	$ 892	$ 100	$ 13,504	$ 2,188	$ 356	$ 2,544	$ 16,048
Employee benefits and taxes	763	520	632	496	556	208	90	3,265	539	85	624	3,889
Professional fees and contract services	1,507	1,162	1,584	1,013	4,205	323	9	9,803	1,264	48	1,312	11,115
Conferences and travel	560	443	1,202	2,674	297	124	13	5,313	221	49	270	5,583
Subscriptions, dues, and staff development	42	8	24	57	45	7	-	183	157	1	158	341
Scholarships, grants, and awards	22	273	12	17,893	39	23	-	18,262	9	-	9	18,271
Supplies	114	71	114	123	160	623	6	1,211	94	3	97	1,308
Telephone	144	69	76	80	87	32	21	509	67	33	100	609
Postage and shipping	36	14	38	75	26	3	2	194	20	1	21	215
Occupancy	250	123	195	176	111	46	129	1,030	190	-	190	1,220
Other expenses	–	122	6	29	4	-	12	173	239	1	240	413
Depreciation and amortization	–	–	–	–	–	–	6	6	807	–	807	813
Total expenses	$ 6,639	$ 5,031	$ 6,519	$ 24,715	$ 7,880	$ 2,281	$ 388	$ 53,453	$ 5,795	$ 577	$ 6,372	$ 59,825

See accompanying notes.

United Way of America

Schedule of Functional Expenses (continued)

For the year ended December 31, 2005

(In Thousands)

	Program Services							Supporting Services			
	Investor Relations	**Community Impact Leadership**	**Center for Community Leadership**	**Public Policy**	**Brand Leadership**	**Enterprise Services**	**Total Program Services**	**General and Administrative**	**Fund-Raising**	**Total Supporting Services**	**Total Expenses**
Salaries	$ 2,976	$ 2,228	$ 2,325	$ 1,737	$ 2,743	$ 888	$ 12,897	$ 1,661	$ 245	$ 1,906	$ 14,803
Employee benefits and payroll taxes	871	676	712	470	832	278	3,839	489	87	576	4,415
Professional fees and contract services payments	814	1,817	994	2,460	4,417	326	10,828	765	69	834	11,662
Conferences and travel	583	325	1,131	673	214	134	3,060	104	151	255	3,315
Subscriptions, dues, and staff development	36	25	–	44	39	3	147	96	4	100	247
Scholarships, grants, and awards	19	300	7	8,448	20	22	8,816	6	–	6	8,822
Supplies	101	67	95	284	184	419	1,150	57	16	73	1,223
Telephone	132	72	52	73	74	34	437	39	40	79	516
Postage and shipping	28	28	24	19	29	7	135	14	4	18	153
Occupancy	214	192	168	179	167	45	965	166	–	166	1,131
Other expenses	21	169	12	28	6	2	238	449	–	449	687
Depreciation and amortization	149	109	102	116	147	32	655	106	–	106	761
Total expenses	$ 5,944	$ 6,008	$ 5,622	$ 14,531	$ 8,872	$ 2,190	$ 43,167	$ 3,952	$ 616	$ 4,568	$ 47,735

See accompanying notes.