Consolidated Financial Statements and Supplemental Schedule

United Way of America and Subsidiaries
Years Ended December 31, 2007 and 2006
With Report of Independent Auditors

United Way of America and Subsidiaries

Consolidated Financial Statements
and Supplemental Schedule

Years Ended December 31, 2007 and 2006

Contents

ERNST & YOUNG

Ernst & Young LLP
8484 Westpark Drive
McLean, Virginia 22102

Tel: + 1 703 747 1000
www.ey.com

Report of Independent Auditors

Board of Trustees
United Way of America

We have audited the accompanying consolidated statements of financial condition of United Way of America (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the restated financial statements of United Way of Tri-State as of and for the year ended December 31, 2006, which statements reflect total assets and revenues of 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 the year ended December 31, 2006 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 the Company'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 the Company'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 (on the United Way of Tri-State 2006 financial statements), the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way of America at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 6 to the consolidated financial statements, in 2007 UWA adopted Financial Accounting Standards Board (SFAS) Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R*), to recognize the funded status of its defined benefit plans in its consolidated balance sheets.

As discussed in Note 11 to the financial statements, the Company has restated its financial statements as of and for the year ended December 31, 2006 because of the restatement of the United Way of Tri-State December 31, 2006 financial statements to correct the accounting for a postretirement benefit plan obligation.

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 as of and for the years ended December 31, 2007 and 2006 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 audits, and the report of other auditors (on the United Way of Tri-State 2006 financial statements), is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

September 22, 2008

United Way of America and Subsidiaries

Consolidated Statements of Financial Position – with Consolidating Details

(In Thousands)

	December 31, 2007					December 31, 2006				
	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	**$ 10,437**	**$ 1,569**	**$ 72**	**$ –**	**$ 12,078**	$ 8,384	$ 1,287	$ –	$ –	$ 9,671
Total cash and cash equivalents	**10,437**	**1,569**	**72**	**–**	**12,078**	8,384	1,287	–	–	9,671
Restricted funds	**19,057**	**–**	**–**	**–**	**19,057**	25,281	–	–	–	25,281
Custodial funds	**3,338**	**–**	**29,231**	**–**	**32,569**	4,847	–	22,001	–	26,848
Membership support receivables, net	**1,427**	**–**	**–**	**–**	**1,427**	1,782	–	–	–	1,782
Campaign receivables:										
Amounts raised on behalf of others	**19,590**	**–**	**–**	**–**	**19,590**	9,262	–	–	–	9,262
Unrestricted campaign receivables	**5,165**	**–**	**–**	**–**	**5,165**	4,458	–	–	–	4,458
Contributions receivable, net	**900**	**–**	**–**		**900**	768	–	–	–	768
Accounts receivable, net	**698**	**333**	**3,243**	**–**	**4,274**	1,321	393	2,378	–	4,092
Inventory	**–**	**608**	**–**	**–**	**608**	–	789	–	–	789
Deferred income tax	**–**	**236**	**–**	**–**	**236**	–	–	–	–	–
Prepaid expenses and other current assets	**249**	**66**	**53**	**–**	**368**	233	69	95	–	397
Due from participating local United Ways	**336**	**–**	**–**	**–**	**336**	286	–	–	–	286
Due from affiliates	**93**	**–**	**90**	**(183)**	**–**	7,814	–	–	(7,814)	–
Total current assets	**61,290**	**2,812**	**32,689**	**(183)**	**96,608**	64,436	2,538	24,474	(7,814)	83,634
Noncurrent assets:										
Custodial assets and other long-term assets	**1,879**	**–**	**–**	**–**	**1,879**	1,649	–	–	–	1,649
Land, building, equipment, and leasehold improvements, net	**7,123**	**45**	**52**	**–**	**7,220**	7,375	73	61	–	7,509
Contributions receivable	**117**	**–**	**–**	**–**	**117**	275	–	–	–	275
Investment in subsidiary	**12,075**	**–**	**–**	**(12,075)**	**–**	1,527	–	–	(1,527)	–
Other noncurrent assets	**135**	**17**	**–**	**–**	**152**	295	17	–	–	312
Postretirement assets	**911**	**–**	**–**	**–**	**911**	–	–	–	–	–
Prepaid pension asset	**951**	**–**	**–**	**–**	**951**	3,918	219	–	–	4,137
Total noncurrent assets	**23,191**	**62**	**52**	**(12,075)**	**11,230**	15,039	309	61	(1,527)	13,882
Total assets	**$ 84,481**	**$ 2,874**	**$ 32,741**	**$(12,258)**	**$ 107,838**	$ 79,475	$ 2,847	$ 24,535	$(9,341)	$ 97,516

See accompanying notes.

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

(In Thousands)

	December 31, 2007					December 31, 2006				
	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	$ 5,260	$ 433	$ 314	$ –	$ 6,007	$ 5,832	$ 398	$ 560	$ –	$ 6,790
Distributions payable to local United Ways	2,820	–	–	–	2,820	1,904	–	–	–	1,904
Amounts raised on behalf of others	27,579	–	–	–	27,579	22,081	–	–	–	22,081
Advances on grants not awarded	63	–	–	–	63	2,769	–	–	–	2,769
Custodial funds	3,338	–	29,231	–	32,569	4,847	–	22,001	–	26,848
Postretirement benefits	142	–	–	–	142	158	–	–	–	158
Debt	–	–	970	–	970	–	–	740	–	740
Deferred revenue:										
Pledge processing	–	–	428	–	428	–	–	269	–	269
Training programs, conference, and fees	2,817	–	–	–	2,817	2,833	–	–	–	2,833
Due to affiliates	66	94	23	(183)	–	–	20	7,794	(7,814)	–
Total current liabilities	42,085	527	30,966	(183)	73,395	40,424	418	31,364	(7,814)	64,392
Noncurrent liabilities:										
Custodial liability	1,512	–	–	–	1,512	1,649	–	–	–	1,649
Accrued pension	6,999	423	832	–	8,254	2,705	–	458	–	3,163
Postretirement benefits, net of current portion	3,457	–	–	–	3,457	3,103	–	–	–	3,103
Debt	–	–	2,940	–	2,940	–	–	3,910	–	3,910
Other noncurrent liabilities	605	5	1	–	611	685	5	1	–	691
Total noncurrent liabilities	12,573	428	3,773	–	16,774	8,142	5	4,369	–	12,516
Total liabilities	54,658	955	34,739	(183)	90,169	48,566	423	35,733	(7,814)	76,908
Net assets and equity:										
Unrestricted	11,240	–	(1,998)	(10,548)	(1,306)	13,191	–	(11,198)	–	1,993
Temporarily restricted	18,217	–	–	–	18,217	17,440	–	–	–	17,440
Permanently restricted	366	–	–	–	366	278	–	–	–	278
Common stock	–	10	–	(10)	–	–	10	–	(10)	–
Additional paid-in capital	–	1,517	–	(1,517)	–	–	1,517	–	(1,517)	–
Retained earnings – UW Store	–	392	–	–	392	–	897	–	–	897
Total net assets and equity	29,823	1,919	(1,998)	(12,075)	17,669	30,909	2,424	(11,198)	(1,527)	20,608
Total liabilities and net assets and equity	$ 84,481	$ 2,874	$ 32,741	$(12,258)	$ 107,838	$ 79,475	$ 2,847	$ 24,535	$(9,341)	$ 97,516

See accompanying notes.

United Way of America and Subsidiaries

Consolidated Statements of Activities – with Consolidating Details

Year Ended December 31, 2007

(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	$ 29,364	$ –	$ –	$ 29,364	$ –	$ –	$ –	$ 29,364
Campaign efforts	–	81,799	–	81,799	–	–	–	81,799
Less gross amounts raised on behalf of others	–	(64,764)	–	(64,764)	–	–	–	(64,764)
Less allowance for uncollectible pledges	2,493	(2,162)	–	331	–	–	–	331
Contributions	2,518	11,626	80	14,224	–	–	–	14,224
Total public support	34,375	26,499	80	60,954	–	–	–	60,954
Other revenue:								
Promotional material sales	388	–	–	388	5,868	–	(218)	6,038
Program service fees	790	209	8	999	–	–	(310)	689
Investment income	980	129	–	1,117	55	1,149	(200)	2,121
Conferences	2,738	–	–	2,738	–	113	–	2,851
Rental and service income	427	–	–	427	–	–	(89)	338
Transaction fees	–	–	–	–	–	4,626	–	4,626
Miscellaneous and other	217	5	–	222	–	624	–	846
Total other revenue	5,540	343	8	5,891	5,923	6,512	(817)	17,509
Net assets released from restrictions	26,065	(26,065)	–	–	–	–	–	–
Total revenues	65,980	777	88	66,845	5,923	6,512	(817)	78,463
Expenses								
Program services:								
Investor Relations	6,385	–	–	6,385	–	–	(22)	6,363
Community Impact Leadership	6,397	–	–	6,397	–	–	(8)	6,389
Center for Community Leadership	6,178	–	–	6,178	–	–	(45)	6,133
Public Policy	9,253	–	–	9,253	–	–	(11)	9,242
Brand Leadership	8,733	–	–	8,733	–	–	(61)	8,672
Enterprise Services	1,514	–	–	1,514	–	–	–	1,514
Campaign and public relations	1,493	–	–	1,493	–	–	–	1,493
Cost of goods sold	–	–	–	–	3,334	–	(378)	2,956
Selling expenses	–	–	–	–	1,271	–	–	1,271
Funds distribution	13,968	–	–	13,968	–	6,858	–	20,826
Total program services and cost of revenue	53,921	–	–	53,921	4,605	6,858	(525)	64,859
Supporting services:								
General and administrative	6,649	–	–	6,649	1,108	688	(92)	8,353
Fundraising	533	–	–	533	–	–	–	533
Provision for income taxes	–	–	–	–	77	–	–	77
Total supporting services	7,182	–	–	7,182	1,185	688	(92)	8,963
Total expenses	61,103	–	–	61,103	5,790	7,546	(617)	73,822
Changes in net assets before the change in pension and postretirement liability and the effect of adopting SFAS No. 158	4,877	777	88	5,742	133	(1,034)	(200)	4,641
Change in tax liability	–	–	–	–	218	–	–	218
Change in minimum pension and postretirement liability	4,445	–	–	4,445	–	465	–	4,910
Effect of adopting SFAS No. 158	(11,273)	–	–	(11,273)	(656)	(779)	–	(12,708)
Capital contribution to eWay	–	–	–	–	–	10,548	(10,548)	–
Changes in net assets	(1,951)	777	88	(1,086)	(305)	9,200	(10,748)	(2,939)
Net assets and equity beginning of year	13,191	17,440	278	30,909	897	(11,198)	–	20,608
Dividend to United Way of America	–	–	–	–	(200)	–	200	–
Net assets and equity end of year	$ 11,240	$ 18,217	$ 366	$ 29,823	$ 392	$ (1,998)	$(10,548)	$ 17,669

See accompanying notes.

United Way of America and Subsidiaries

Consolidated Statements of Activities – with Consolidating Details (continued)

Year Ended December 31, 2006

(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	$ 28,978	$ –	$ –	$ 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	–	–	–	–	1,439	–	–	1,439
Funds distribution	–	–	–	–	–	6,056	–	6,056
Total program services and cost of revenue	53,453	–	–	53,453	5,023	6,056	(318)	64,214
Supporting services:								
General and administrative	5,795	–	–	5,795	1,127	1,933	–	8,855
Fundraising	577	–	–	577	–	–	–	577
Provision for income taxes	–	–	–	–	(35)	–	–	(35)
Total supporting services	6,372	–	–	6,372	1,092	1,933	–	9,397
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
Merger of United Way of Tri-State	(600)	–	–	(600)	–	–	–	(600)
Changes in net assets	2,651	(3,982)	278	(1,053)	71	(4,178)	(200)	(5,360)
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	$ 13,191	$ 17,440	$ 278	$ 30,909	$ 897	$(11,198)	$ –	$ 20,608

See accompanying notes.

United Way of America and Subsidiaries

Consolidated Statements of Cash Flows – with Consolidating Details

(In Thousands)

	Year Ended December 31, 2007					Year Ended December 31, 2006				
	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	**$ (1,086)**	**$ (305)**	**$ 9,200**	**$(10,748)**	**$ (2,939)**	$ (1,053)	$ 71	$(4,178)	$(200)	$ (5,360)
Adjustments to reconcile changes in net assets to net cash flows provided by operating activities:										
Depreciation and amortization	**787**	**60**	**13**	**–**	**860**	804	88	861	–	1,753
Minimum pension liability	**4,445**	**–**	**465**	**–**	**4,910**	–	–	–	–	–
Effect of adopting SFAS No. 158	**(11,273)**	**(656)**	**(779)**	**–**	**(12,708)**	–	–	–	–	–
Noncash loss, adjustment for pension and postretirement	**6,828**	**656**	**314**	**–**	**7,798**	–	–	–	–	–
Noncash loss, adjustment for prior campaign allowance	**(2,493)**	**–**	**–**	**–**	**(2,493)**	–	–	–	–	–
Noncash, other	**–**	**–**	**–**	**–**	**–**	–	3	(22)	–	(19)
Changes in assets and liabilities:										
Restricted funds	**6,224**	**–**	**–**	**–**	**6,224**	(3,781)	–	–	–	(3,781)
Custodial funds	**(1)**	**–**	**–**	**–**	**(1)**	1	–	22	–	23
Membership support receivable, net	**355**	**–**	**–**	**–**	**355**	892	–	–	–	892
Amounts raised on behalf of others	**5,936**	**–**	**–**	**–**	**5,936**	12,819	–	–	–	12,819
Unrestricted campaign receivables	**(8,980)**	**–**	**–**	**–**	**(8,980)**	(4,458)	–	–	–	(4,458)
Account receivables, net	**623**	**60**	**(865)**	**–**	**(182)**	(406)	160	(71)	–	(317)
Contributions receivable	**26**	**–**	**–**	**–**	**26**	(380)	–	–	–	(380)
Inventory	**–**	**181**	**–**	**–**	**181**	–	(43)	–	–	(43)
Income tax	**–**	**(236)**	**–**	**–**	**(236)**	–	–	–	–	–
Prepaid expenses and other current assets	**(16)**	**3**	**42**	**–**	**29**	240	–	–	–	240
Other noncurrent assets	**160**	**–**	**–**	**–**	**160**	(295)	10	–	–	(285)
Due from participating United Ways	**(50)**	**–**	**–**	**–**	**(50)**	(286)	–	–	–	(286)
Due to/from affiliates	**7,787**	**74**	**(7,861)**	**–**	**–**	(3,362)	(49)	3,411	–	–
Prepaid pension asset	**2,967**	**219**	**–**	**–**	**3,186**	(3,918)	53	–	–	(3,865)
Custodial and other long-term assets	**(367)**	**–**	**–**	**–**	**(367)**	–	–	–	–	–
Accounts payable and accrued liabilities	**(571)**	**35**	**(247)**	**–**	**(783)**	1,821	(21)	(341)	–	1,459
Distributions payable to local United Ways	**916**	**–**	**–**	**–**	**916**	1,904	–	–	–	1,904
Advances on grants not awarded	**(2,706)**	**–**	**–**	**–**	**(2,706)**	2,769	–	–	–	2,769
Deferred revenue	**(16)**	**–**	**159**	**–**	**143**	(307)	–	269	–	(38)
Postretirement benefits	**(573)**	**–**	**–**	**–**	**(573)**	383	–	456	–	839
Accrued pension	**4,294**	**423**	**374**	**–**	**5,091**	(848)	–	–	–	(848)
Other liabilities	**(80)**	**–**	**–**	**–**	**(80)**	565	–	1	–	566
Net cash flows provided by operating activities	**13,136**	**514**	**815**	**(10,748)**	**3,717**	3,104	272	408	(200)	3,584
Cash flows from investing activities										
Purchase of equipment	**(535)**	**(32)**	**(4)**	**–**	**(571)**	(484)	(8)	(58)	–	(550)
Investment in subsidiary	**(10,548)**	**–**	**–**	**10,548**	**–**	–	–	–	–	–
Net cash flows used in investing activities	**(11,083)**	**(32)**	**(4)**	**10,548**	**(571)**	(484)	(8)	(58)	–	(550)
Cash flows from financing activities										
Dividend to UWA	**–**	**(200)**	**–**	**200**	**–**	–	(200)	–	200	–
Repayment of debt	**–**	**–**	**(739)**	**–**	**(739)**	–	–	(350)	–	(350)
Net cash flows used in financing activities	**–**	**(200)**	**(739)**	**200**	**(739)**	–	(200)	(350)	200	(350)
Net increase in cash and cash equivalents	**2,053**	**282**	**72**	**–**	**2,407**	2,620	64	–	–	2,684
Cash and cash equivalents:										
Beginning of year	**8,384**	**1,287**	**–**	**–**	**9,671**	5,764	1,223	–	–	6,987
End of year	**$ 10,437**	**$ 1,569**	**$ 72**	**$ –**	**$ 12,078**	$ 8,384	$ 1,287	$ –	$ –	$ 9,671

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.

United Way Store (UW Store) is a wholly owned, for-profit subsidiary of UWA. 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 71% and 72% of UW Store's sales for 2007 and 2006, respectively.

In accordance with a plan authorized by the Boards of Governors of United Way of Tri-State, Inc. (UWTS) and of 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 $(600,481). This balance was recognized as of October 1, 2006 through net assets as merger of United Way Tri-State.

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. eWay serves a strategic purpose for UWA and the United Way System. UWA recognizes a need for integrated donation pledge processing and funds distribution, as well as a diverse suite of targeted philanthropic support tools and solutions. Based on an assessment of the financial condition of eWay as of December 31, 2007, combined with future financial projections, management has determined that the balance of the intercompany account receivable of approximately $10.5 million due to UWA from eWay is no longer collectible. Given the strategic importance of eWay, UWA has recorded a capital contribution to eWay of $10.5 million and eliminated the intercompany receivable. See Subsequent Event Note 10.

1. Organization and Purpose (continued)

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, early childhood development, financial stability, 2-1-1 initiative, and Success by 6.

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 website, 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 this specific regional campaign. Workplace campaigns at participating companies are organized in cooperation with 28 local participating 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. Campaign efforts include contributions, amounts raised on behalf of others (ARBO), and amounts raised by participating companies paid directly to recipient organizations. 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.

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 the 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, 2007 and 2006, cash and cash equivalents totaled approximately $12.1 million and $9.7 million, respectively.

Restricted Funds

Restricted funds consist of cash that is designated for specific purposes. As of December 31, 2007 and 2006, restricted cash totaled approximately $19.1 million and $25.3 million, respectively. This total included approximately $8.0 million and $12.8 million, respectively, designated for amounts raised on behalf of others.

Custodial Funds – UWA

Since 1983, Congress has allocated approximately $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 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

2. Summary of Significant Accounting Policies (continued)

Custodial Funds – UWA (continued)

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 approximately $175,000 and $174,000 for the years ended December 31, 2007 and 2006, respectively). In 2007 and 2006, approximately $152 million and $148 million, respectively, were distributed in the form of grants to other charitable organizations. As of December 31, 2007 and 2006, undistributed balances of approximately $3.3 million and $4.8 million, respectively, were included in custodial funds, with a corresponding liability in the accompanying consolidated statements of financial position.

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 years ended December 31, 2007 and 2006, approximately $1.5 million and $1.6 million, respectively, 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. The formula distribution to local participating United Ways is recorded when the formula calculation is finalized and approved by the Finance Committee of the UWA Board of Trustees. The 2006-07 campaign distribution is reflected in the consolidated statements of activities as distributions expense. Funds for each campaign year are disbursed over a 12-month period beginning in March of the following year. Distributions payable to local United Ways includes the balance of undesignated funds from the 2006-07 campaign yet to be paid. The 2007 calendar year is the first full year of activity for UWA.

Custodial Funds – eWay

At December 31, 2007 and 2006, eWay's custodial funds included approximately $29 million and $22 million, respectively, of cash restricted for distribution to specified recipient charitable organizations.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

UWA recognizes revenue under the following methods:

- Membership revenue is recorded ratably over the calendar year membership term. This membership allows local United Ways to use the name and service marks owned by UWA, during the period of membership. Membership support calculations are based on a formula driven process. If any local United Way does not remit its annual membership support, the local United Way's ability to utilize the name and service marks can be revoked. Membership revenue is recognized net of a training credit provided to the members. These training credits are recorded as deferred revenue until the credit expires or is used by the local United Way, at which time the related training revenue is recognized. As of December 31, 2007 and 2006, the amount of the deferred training credit was approximately $4.0 million and $3.9 million, respectively.

- 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, 2007 and 2006, UWA had received conditional promises to give totaling approximately $836,000 and $0, respectively.

Temporarily restricted campaign efforts, as shown in the consolidated statements of activities, reflects the portion of two different campaign years processed through Tri-State that were both partially recognized in 2007. The 2006-07 campaign consists of donations pledged primarily in 2006 by the companies and employees which were distributed during 2007. Only pledges that were supported by documentation substantiating both the donor's unconditional promise to give and the instructions on the use of those funds were recorded in 2006. The remaining promises to give for the 2006-07 campaign were recorded in 2007 as supporting documentation became available. Similarly, for the 2007-08 campaign, only those pledges that provide both documentation supporting unconditional promise to give and donor instructions on the use of funds were recorded at December 31, 2007. Campaign efforts include contributions, ARBO, and

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

amounts raised by participating companies paid directly to recipient organizations. Contributions and 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 raised on behalf of others are included in total campaign efforts in the accompanying consolidated 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.

Unrestricted revenue includes income of approximately $2.5 million recorded to allowance for uncollectible pledges, reflecting gains realized from better than anticipated pledge collections and over accrual of amounts raised on behalf of others liability for the 2005-06 Tri-State campaign, which was closed out during 2007. Included within the net assets released from restrictions are the total Tri-State 2006-07 campaign efforts, amounts raised on behalf of others and allowance for uncollectible pledges as follows *(in thousands)*:

Total campaign efforts	$ 81,799
Amounts raised on behalf of others	(64,764)
Allowance for uncollectible pledges	(2,162)
Net assets released from restrictions	$ 14,873

Campaign Revenue – eWay

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. eWay'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 activities. 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

2. Summary of Significant Accounting Policies (continued)

Campaign Revenue – eWay (continued)

provided. For certain campaign related fees, revenue is recorded ratably over the campaign and results in deferred revenue at each balance sheet date. eWay 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) collectability is reasonably assured.

Additionally, eWay 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 eWay's determination of its fee structure for clients and represents a portion of the payment for services performed by eWay. The interest totaled approximately $1.1 million and $890,000 for the years ended December 31, 2007 and 2006, respectively, and is classified as investment income in eWay's consolidated statements of activities. 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.

eWay charges a registration fee to attendees of its conference held in June each year. This registration fee and any sponsorships of the conference are recognized when the conference occurs.

Membership Support Receivable – UWA

The major components of membership support receivable were as follows:

	December 31	
	2007	**2006**
	(In Thousands)	
Membership support receivable	**$ 1,459**	$ 1,837
Allowance for doubtful accounts	**(32)**	(55)
Membership support receivable, net	**$ 1,427**	$ 1,782

2. Summary of Significant Accounting Policies (continued)

Membership Support Receivable – UWA (continued)

An allowance for doubtful accounts related to membership support receivable is calculated as 3% of uncollected pledges, which approximates historical amounts not collected. Bad debt expense was $0 for the years ended December 31, 2007 and 2006 related to membership support receivable, and a recovery of approximately $23,000 was recorded based on collection of an amount previously written off.

Contributions Receivable – UWA

Unconditional promises to give are recorded at their net realizable values as restricted 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 of 3.34% and 3.05% for receivables due in 2009 and 2010, respectively. A discount in the amount of approximately $8,000 and $0 was recorded at December 31, 2007 and 2006, respectively.

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

	2007	**2006**
	(In Thousands)	
Amounts due in:		
Less than one year	**$ 900**	$ 768
One to five years	**117**	275
Total	**$ 1,017**	$ 1,043

Bad debt expense totaled approximately $500,000 and $4,000 for the years ended December 31, 2007 and 2006, respectively, related to contributions receivable. Management has concluded no reserve is necessary at December 31, 2007 and 2006 based on review of balances outstanding and history of collections with the donors.

Accounts Receivable

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

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

Accounts receivable in the accompanying consolidated statements of financial position include the following:

	UWA	UW Store	eWay	Total
	(In Thousands)			
2007				
Accounts receivable	**$ 719**	**$ 376**	**$ 3,327**	**$ 4,422**
Allowance for doubtful accounts	**(21)**	**(43)**	**(84)**	**(148)**
Total	**$ 698**	**$ 333**	**$ 3,243**	**$ 4,274**
2006				
Accounts receivable	$ 1,344	$ 439	$ 2,511	$ 4,294
Allowance for doubtful accounts	(23)	(46)	(133)	(202)
Total	$ 1,321	$ 393	$ 2,378	$ 4,092

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. Bad debt expense totaled approximately $0 and $4,000 for the years ended December 31, 2007 and 2006, respectively, related to accounts receivable, and a recovery of approximately $21,000 was recorded during 2007 based on collection of an amount previously written off.

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 $70,000 and $78,000 of obsolete inventory for the years ended 2007 and 2006, respectively, and had an allowance of approximately $13,000 and $8,000 at December 31, 2007 and 2006, 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

Website Development Costs

UWA accounts for its website development costs as it relates to eWay in accordance with Emerging Issues Task Force (EITF) 00-02, *Accounting for Website Development Costs.* No website development costs were capitalized in 2007. During the year ended December 31, 2006, management concluded that due to the lack of income generated to date, and future expected losses at eWay, the website development costs related to the eWay portal were impaired. eWay recorded an impairment charge of approximately $292,000 related to the then unamortized website development costs. These costs are included within the 2006 consolidated statement of activities as funds distribution expense.

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

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

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 UWA net assets are restricted by the donors as follows:

Type of Restriction	2007	2006
	(In Thousands)	
Disaster response and recovery	**$ 2,789**	$ 8,105
Initiative to benefit children, youth, and families	**1,395**	412
Volunteer engagement	**402**	438
Scholarships	**75**	68
Economic self-sufficiency	**26**	1
Training and research	**6,175**	–
Campaign and public relations	**6,196**	7,716
Leadership coalition	**460**	350
Global initiative	**618**	–
Other	**81**	350
Total temporarily restricted net assets	**$ 18,217**	$ 17,440

Accounting Policies Adopted

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans to recognize the funded status of their postretirement plans (other than a multiemployer plan) as an asset or liability in its statement of financial position and measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. UWA adopted SFAS No. 158 in 2007. The amount of the asset or liability to be recorded is disclosed in Note 6 to the consolidated financial statements. The cumulative effect of adopting SFAS No. 158 on UWA's financial condition in 2007 is included in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Accounting Policies Adopted (continued)

The pronouncement is not retroactive and therefore the change in presentation must be applied prospectively. SFAS No. 158's provision regarding the change in measurement date of postretirement benefit plans is effective for fiscal years ending after December 15, 2008. UWA has not yet adopted these provisions. See Note 6 for further discussion.

Accounting Policies Not Yet Adopted

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 was originally effective for entities with fiscal years beginning after November 15, 2007, however, the effective date for certain provisions of SFAS No. 157 has been deferred until fiscal years beginning after November 15, 2008. UWA has reviewed the requirements of this standard; however, it has not determined the impact on the Companies' 2008 consolidated financial statements.

3. Land, Building, Equipment, and Leasehold Improvements

Land, building, equipment, and leasehold improvements, at cost, were as follows:

	UWA	UW Store	eWay	Total
	(In Thousands)			
December 31, 2007				
Land	**$ 2,102**	**$ –**	**$ –**	**$ 2,102**
Building and building improvements	**12,360**	**–**	**–**	**12,360**
Leasehold improvements	**1,538**	**46**	**–**	**1,584**
Furniture, equipment, and software	**7,212**	**740**	**574**	**8,526**
Less accumulated depreciation and amortization	**(16,089)**	**(741)**	**(522)**	**(17,352)**
	$ 7,123	**$ 45**	**$ 52**	**$ 7,220**
December 31, 2006				
Land	$ 2,102	$ –	$ –	$ 2,102
Building and building improvements	12,360	–	–	12,360
Leasehold improvements	1,294	46	–	1,340
Furniture, equipment, and software	6,922	708	571	8,201
Less accumulated depreciation and amortization	(15,303)	(681)	(510)	(16,494)
	$ 7,375	$ 73	$ 61	$ 7,509

Depreciation expense totaled approximately $860,000 and $1,753,000 for the years ended December 31, 2007 and 2006, respectively. Amortization of the website development costs totaled approximately $0 and $499,000 for the years ended December 31, 2007 and 2006, respectively.

4. Income Taxes

UWA is required to file IRS Form 990-T when it incurs taxable income. UWA received approximately $310,000 and $318,000 in royalty income from UW Store for the years 2007 and 2006, respectively.

UW Store follows SFAS No. 109, *Accounting for Income Taxes*. SFAS No. 109 requires the recognition of deferred tax liabilities and deferred tax assets, net of applicable valuation allowances for certain temporary differences and net operating loss carry forwards.

4. Income Taxes (continued)

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:

	December 31	
	2007	**2006**
	(In Thousands)	
Current tax provision:		
Federal	**$ 82**	$(38)
State	**11**	–
Total current provision	**93**	(38)
Deferred tax provision:		
Federal	**(16)**	3
State	**(2)**	–
Total deferred provision	**(18)**	3
Total provision for income taxes	**$ 75**	$(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 were as follows:

	December 31	
	2007	**2006**
	(In Thousands)	
Tax depreciation and amortization	**$ 18**	$ 7
Prepaid pension	**(37)**	(37)
Accounts receivable allowances	**15**	16
Other	**17**	9
Net noncurrent deferred tax assets	**$ 13**	$ 5

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

5. Debt

In 2007, 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, 2008. There were no borrowings outstanding as of December 31, 2007 and 2006.

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, 2008. UW Store 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 as of December 31, 2007 and 2006.

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 expires on May 1, 2011. UWA is the guarantor for the loan and would be required to repay the loan should eWay not be able to meet its obligations. 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 increased to $70,000 per month in June 2007. The balance outstanding on the term loan was approximately $3.9 million and $4.7 million as of December 31, 2007 and 2006, respectively (see Note 10). UWA and UW Store incurred no interest expense in 2007 and 2006. eWay incurred and paid approximately $342,000 and $373,000 of interest expense in 2007 and 2006, respectively.

The repayment of principal on the eWay term loan consists of:

	Principal *(In Thousands)*
2008	$ 970
2009	1,171
2010	1,563
2011	206
Total	$ 3,910

6. Pension and Other Postretirement Benefits

The Companies sponsor the Pension Plan of the United Way of America (UWA Plan), the Defined Benefit Plan for Employees of United Way of Tri-State (Tri-State Plan), the UWA Postretirement Benefit Plan, the Tri-State Postretirement Benefit Plan and several nonqualified plans (Nonqualified Plans). The Nonqualified Plans include the United Way of America Senior Vice President's Plan (Senior VP Plan), United Way of America 415 Replacement Plan (415 Replacement Plan), and the United Way of America Supplemental Employee Retirement Plan (SERP).

In September 2006, FASB issued SFAS No. 158. SFAS No. 158 requires UWA to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its defined benefit pension and other postretirement plans on its consolidated statement of financial position, with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs, which were previously netted against the plans' funded status on the consolidated statement of financial condition pursuant to the provisions of SFAS No. 87, *Employers' Accounting for Pensions*. These amounts will be subsequently recognized as net periodic pension cost pursuant to UWA's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of the net periodic pension cost on the same basis as the amounts recognized in the adjustment to unrestricted net assets upon adoption of SFAS No. 158.

The effects of adopting the provisions of SFAS No. 158 on the UWA 2007 consolidated statement of financial position and statement of activities are presented in the following table. SFAS No. 158 requires that the recognized provisions be applied after adjusting for the change in the minimum pension liability recognized under the provisions of SFAS No. 87 as of the end of the year of initial adoption.

6. Pension and Other Postretirement Benefits (continued)

	Prior to Adopting SFAS No. 158	Effect of Adopting SFAS No. 158	As Reported After Adopting SFAS No. 158
UWA Plan asset (liability)	$ 3,769,196	$(10,304,847)	$(6,535,651)
Tri-State Plan asset	3,961,018	(3,010,083)	950,935
Senior VP Plan liability	(426,712)	331,231	(95,481)
415 Replacement Plan liability	(121,565)	49,485	(72,080)
SERP liability	(1,225,854)	(324,552)	(1,550,406)
UWA Postretirement Benefit Plan liability	(2,653,735)	550,289	(2,103,446)
Tri-State Postretirement Benefit Plan liability	(285,497)	–	(285,497)
Effect on net assets due to adopting SFAS No. 158		$(12,708,477)	

Pension Plan of the United Way of America

The UWA Plan 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 generally payable 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 UWA Plan were frozen as of the effective date of the change and precluded new employees from participating in the UWA Plan.

The Defined Benefit Plan for Employees of United Way of Tri-State was merged into the UWA Plan effective January 1, 2008.

The measurement dates used for the UWA Plan disclosures are as of December 31, 2007 and October 31, 2006.

6. Pension and Other Postretirement Benefits (continued)

Pension Plan of the United Way of America (continued)

Certain information regarding the UWA Plan for the year ended 2007 is as follows:

	UWA	UW Store	eWay	Total
Benefit obligation as of October 31, 2006	**$ 24,170,995**	**$ 1,606,160**	**$ 949,591**	**$ 26,726,746**
Service cost	**–**	**–**	**–**	**–**
Interest cost	**1,361,416**	**91,450**	**53,451**	**1,506,317**
Benefits paid	**(866,129)**	**(27,560)**	**(35,062)**	**(928,751)**
Change in discount rate	**(1,100,283)**	**(87,785)**	**(58,975)**	**(1,247,043)**
Change in mortality	**2,025,314**	**131,079**	**61,248**	**2,217,641**
Actuarial loss	**636,194**	**173,628**	**51,154**	**860,976**
Benefit obligation as of December 31, 2007	**$ 26,227,507**	**$ 1,886,972**	**$ 1,021,407**	**$ 29,135,886**
Fair value of plan assets as of October 31, 2006	**$ 20,778,593**	**$ 1,425,353**	**$ 200,891**	**$ 22,404,837**
Contributions	**325,604**	**16,644**	**23,659**	**365,907**
Benefits paid	**(866,129)**	**(27,560)**	**(35,062)**	**(928,751)**
Actual return on assets	**708,543**	**49,426**	**273**	**758,242**
Fair value of plan assets as of December 31, 2007	**$ 20,946,611**	**$ 1,463,863**	**$ 189,761**	**$ 22,600,235**
Funded status as of December 31, 2007	**$ (5,280,896)**	**$ (423,109)**	**$ (831,646)**	**$ (6,535,651)**

Amounts recognized on the December 31, 2007 consolidated statement of financial position consist of:

	UWA	UW Store	eWay	Total
Noncurrent liabilities	**$ (5,280,896)**	**$ (423,109)**	**$ (831,646)**	**$ (6,535,651)**

6. Pension and Other Postretirement Benefits (continued)

Pension Plan of the United Way of America (continued)

Amounts recognized in the December 31, 2007 unrestricted net assets consist of:

	UWA	UW Store	eWay	Total
Actuarial loss	**$ 8,869,896**	**$ 656,195**	**$ 778,932**	**$ 10,305,023**
Accumulated benefit obligation at December 31, 2007	**$ 24,266,093**	**$ 1,664,511**	**$ 739,804**	**$ 26,670,408**
Net periodic benefit cost for the year ended December 31, 2007				
Service cost	**$ –**	**$ –**	**$ –**	**$ –**
Interest cost	**1,361,416**	**91,450**	**53,451**	**1,506,317**
Expected return on assets	**(1,627,669)**	**(113,170)**	**(14,829)**	**(1,755,668)**
Net amortization:				
Amortization of transition asset	**–**	**–**	**–**	**–**
Amortization of prior service cost	**–**	**–**	**–**	**–**
Amortization of net loss	**405,800**	**23,850**	**45,153**	**474,803**
Net periodic benefit cost	**$ 139,547**	**$ 2,130**	**$ 83,775**	**$ 225,452**

Certain information regarding the UWA Plan for the year ended 2006 is as follows:

	UWA	UW Store	eWay	Total
Benefit obligation as of October 31, 2005	$ 23,681,194	$ 1,565,134	$ 867,953	$ 26,114,281
Service cost	–	–	–	–
Interest cost	1,350,046	89,087	48,843	1,487,976
Benefits paid	(1,187,421)	(51,189)	(60,025)	(1,298,635)
Change in discount rate	–	–	–	–
Change in mortality	–	–	–	–
Actuarial loss	327,176	3,128	92,820	423,124
Benefit obligation as of October 31, 2006	$ 24,170,995	$ 1,606,160	$ 949,591	$ 26,726,746

6. Pension and Other Postretirement Benefits (continued)

Pension Plan of the United Way of America (continued)

	UWA	UW Store	eWay	Total
Fair value of plan assets as of October 31, 2005	$ 19,366,337	$ 1,308,685	$ 240,801	$ 20,915,823
Contributions	20,000	–	–	20,000
Benefits paid	(1,187,421)	(51,189)	(60,025)	(1,298,635)
Actual return on assets	2,579,677	167,857	20,115	2,767,649
Fair value of plan assets as of October 31, 2006	$ 20,778,593	$ 1,425,353	$ 200,891	$ 22,404,837
Funded status as of October 31, 2006	$ (3,392,402)	$ (180,807)	$(748,700)	$ (4,321,909)
Accumulated benefit obligation at October 31, 2006	$ 21,821,265	$ 1,346,358	$ 658,461	$ 23,826,084
Net periodic benefit cost for the year ended October 31, 2006				
Service cost	$ –	$ –	$ –	$ –
Interest cost	1,350,046	89,087	48,843	1,487,976
Expected return on assets	(1,530,803)	(103,432)	(17,783)	(1,652,018)
Net amortization:				
Amortization of transition asset	(22,927)	(647)	–	(23,574)
Amortization of prior service cost	–	–	–	–
Amortization of net loss	500,816	30,538	44,123	575,477
Net periodic benefit cost	$ 297,132	$ 15,546	$ 75,183	$ 387,861

The actuarial loss included in unrestricted net assets related to the UWA Plan, which is expected to be recognized in net periodic pension cost during 2008, is approximately $677,000.

6. Pension and Other Postretirement Benefits (continued)

Pension Plan of the United Way of America (continued)

Additional information:

	Year Ended December 31	
	2007	**2006**
Weighted-average assumptions		
Measurement date	**December 31, 2007**	October 31, 2006
Discount rate	**6.00%**	5.75%
Rate of compensation increase	**5.00%**	5.00%
Long-term rate	**8.00%**	8.00%
Cost of living adjustment	**3.00%**	3.00%

The assets held by the UWA Plan, by category, were as follows:

	December 31	
	2007	**2006**
Plan assets:		
(a) Equity securities	**60%**	60%
(b) Debt securities	**36**	35
(c) Cash/fixed income	**4**	5
(d) Total	**100%**	100%

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

The expected long-term rate of return on assets assumption was 8% as of December 31, 2007. 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.

6. Pension and Other Postretirement Benefits (continued)

Pension Plan of the United Way of America (continued)

The UWA Plan is positioned to meet the minimum funding requirement as outlined in the Pension Protection Act of 2006: As of January 1, 2007, 90.21% of the current liability for the UWA Plan was funded. UWA plans to make contributions during 2008 for the 2007 plan year in order to achieve a 92% funding target attainment percentage as of January 1, 2008, keeping with the Pension Protection Act target. These amounts could be greater than the expected contributions shown below.

Cash flow and estimated future benefit payments expected to be paid over the next 10 years under the UWA Plan:

	UWA	UW Store	eWay	Total
Expected contributions for fiscal year ending December 31, 2008:				
(a) Expected employer contributions	$ 130,488	$ 16,956	$ 10,059	$ 157,503
(b) Expected employee contributions	–	–	–	–
Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending:				
(a) December 31, 2008	$ 514,186	$ 23,391	$ 8,448	$ 546,025
(b) December 31, 2009	980,151	22,473	8,519	1,011,143
(c) December 31, 2010	1,226,337	21,627	8,588	1,256,552
(d) December 31, 2011	753,302	20,866	8,661	782,829
(e) December 31, 2012	982,642	20,250	8,728	1,011,620
(f) December 31, 2013 – December 31, 2017	7,329,097	580,612	93,958	8,003,667

Defined Benefit Plan for Employees of United Way of Tri-State

The Defined Benefit Plan for Employees of United Way of Tri-State (Tri-State Plan) is a qualified, noncontributory defined benefit pension plan, which covers employees as of the date of hire. An employee's interest becomes fully vested upon the completion of five years of service and is generally payable upon attainment of early retirement age. Contributions to the plan are based on actuarially determined amounts.

Effective June 30, 2006, the benefit levels of participants in the Tri-State Plan were frozen as of the effective date of the change and precluded new employees from participating in the Tri-State Plan.

6. Pension and Other Postretirement Benefits (continued)

Defined Benefit Plan for Employees of United Way of Tri-State (continued)

The measurement dates used for the Tri-State Plan disclosures are as of December 31, 2007 and 2006.

Certain information regarding the Tri-State Plan is as follows:

	Year Ended December 31	
	2007	**2006**
Benefit obligation, beginning of year	**$ 4,781,297**	$ 4,497,192
Service cost	**–**	–
Interest cost	**289,300**	140,064
Benefits paid	**(444,836)**	(454,872)
Change in discount rate	**–**	–
Change in mortality	**124,590**	–
Actuarial loss	**394,728**	598,913
Benefit obligation, end of year	**$ 5,145,079**	$ 4,781,297
Fair value of plan assets, beginning of year	**$ 6,120,332**	$ 6,184,346
Contributions	**–**	–
Benefits paid	**(444,836)**	(454,872)
Actual return on assets	**420,518**	390,858
Fair value of plan assets, end of year	**$ 6,096,014**	$ 6,120,332
Funded status at end of year	**$ 950,935**	$ 1,339,035

Amount recognized in the consolidated statements of financial position consists of:

	December 31	
	2007	**2006**
Noncurrent assets	**$ 950,935**	N/A

6. Pension and Other Postretirement Benefits (continued)

Defined Benefit Plan for Employees of United Way of Tri-State (continued)

Amount recognized in unrestricted net assets consist of:

	Year Ended December 31 2007	2006
Actuarial loss	**$ 3,010,083**	N/A
Accumulated benefit obligation at end of year	**$ 5,145,079**	$ 4,781,297
Net periodic benefit cost		
Service cost	**$ –**	$ –
Interest cost	**289,300**	140,064
Expected return on assets	**(482,388)**	(253,169)
Net amortization:		
Amortization of transition asset	**–**	–
Amortization of prior service cost	**3,319**	14,279
Amortization of net loss	**146,554**	173,929
Net periodic benefit cost	**$ (43,215)**	$ 75,103

The actuarial loss included in unrestricted net assets related to the Tri-State Plan, which is expected to be recognized in net periodic pension cost during 2008, is approximately $181,000.

Additional information:

	Year Ended December 31 2007	2006
Weighted-average assumptions		
Measurement date	**December 31, 2007**	December 31, 2006
Discount rate	**6.00%**	6.00%
Rate of compensation increase	**N/A**	N/A
Long-term rate	**8.00%**	8.00%
Cost of living adjustment	**2.50%**	2.50%

6. Pension and Other Postretirement Benefits (continued)

Defined Benefit Plan for Employees of United Way of Tri-State (continued)

There are no expected employer contributions for 2008 for the Tri-State Plan. The Tri-State Plan was merged into the UWA Plan, effective January 1, 2008. Benefits expected to be paid related to the Tri-State portion of the UWA Plan in each of the next five fiscal years and the following five years in aggregate:

Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending:	
(a) December 31, 2008	$ 82,072
(b) December 31, 2009	196,840
(c) December 31, 2010	202,192
(d) December 31, 2011	212,707
(e) December 31, 2012	266,905
(f) December 31, 2013 – December 31, 2017	1,552,919

The investment strategy for the Tri-State Plan is to generate reasonable returns while minimizing the risk of loss. In order to achieve these objectives, an investment strategy was developed 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. On December 31, 2007, plan assets were transferred to State Street Bank and Trust and the Tri-State Plan was merged into the UWA Plan on January 1, 2008.

	December 31	
	2007	**2006**
Plan assets:		
(a) Equity securities	**–%**	63%
(b) Debt securities	**–**	35
(c) Cash	**100**	2
(d) Total	**100%**	100%

6. Pension and Other Postretirement Benefits (continued)

Defined Benefit Plan for Employees of United Way of Tri-State (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 $300,000 of which Tri-State has accrued $300,000 at December 31, 2007. Pension expense for these benefits amounted to approximately $62,000 for the year ended December 31, 2007 and approximately $3,000 for the three-month period ended December 31, 2006.

United Way of America Nonqualified Plans

The Nonqualified Plans are described below by type of plan.

The Senior VP 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 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.

The SERP 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.

The measurement dates used for the nonqualified plan disclosures are as of December 31, 2007 and October 31, 2006.

6. Pension and Other Postretirement Benefits (continued)

United Way of America Nonqualified Plans (continued)

Certain information regarding the Nonqualified Plans for the year ended 2007 is as follows:

	Senior VP Plan	415 Replacement Plan	SERP	Total
Benefit obligation as of October 31, 2006	**$ 161,544**	**$ 82,043**	**$ 1,508,065**	**$ 1,751,652**
Service cost	**–**	**–**	**–**	**–**
Interest cost	**9,097**	**4,548**	**86,995**	**100,640**
Benefits paid	**–**	**–**	**–**	**–**
Change in discount rate	**(4,044)**	**(1,723)**	**(53,821)**	**(59,588)**
Change in mortality	**9,145**	**(5,454)**	**22,216**	**25,907**
Actuarial gain	**(5,899)**	**(7,334)**	**(13,049)**	**(26,282)**
Benefit obligation as of December 31, 2007	**$ 169,843**	**$ 72,080**	**$ 1,550,406**	**$ 1,792,329**
Fair value of plan assets as of October 31, 2006	**$ 71,835**	**$ –**	**$ –**	**$ 71,835**
Contributions	**–**	**–**	**–**	**–**
Benefits paid	**–**	**–**	**–**	**–**
Actual return on assets	**2,527**	**–**	**–**	**2,527**
Fair value of plan assets as of December 31, 2007	**$ 74,362**	**$ –**	**$ –**	**$ 74,362**

Plan assets are invested in an interest-bearing cash account.

	Senior VP Plan	415 Replacement Plan	SERP	Total
Funded status as of December 31, 2007	**$ (95,481)**	**$(72,080)**	**$(1,550,406)**	**$(1,717,967)**

6. Pension and Other Postretirement Benefits (continued)

United Way of America Nonqualified Plans (continued)

Amounts recognized on the December 31, 2007 consolidated statement of financial position consist of:

	Senior VP Plan	415 Replacement Plan	SERP	Total
Current liabilities	$ –	$ (5,907)	$ (8,325)	$ (14,232)
Noncurrent liabilities	(95,481)	(66,173)	(1,542,081)	(1,703,735)

Amounts recognized on the December 31, 2007 unrestricted net assets consist of:

	Senior VP Plan	415 Replacement Plan	SERP	Total
Actuarial (gain) loss	$(331,231)	$(49,485)	$ 324,552	$ (56,164)
Accumulated benefit obligation at December 31, 2007	$ 169,843	$ 72,080	$ 1,405,662	$ 1,647,585
Net periodic benefit cost for the year ended December 31, 2007				
Service cost	$ –	$ –	$ –	$ –
Interest cost	9,097	4,548	86,995	100,640
Expected return on assets	(5,480)	–	–	(5,480)
Net amortization:				
Amortization of transition asset	–	–	–	–
Amortization of prior service cost	–	–	–	–
Amortization of net (gain) loss	(23,602)	(1,550)	41,993	16,841
Net periodic benefit cost	$ (19,985)	$ 2,998	$ 128,988	$ 112,001

6. Pension and Other Postretirement Benefits (continued)

United Way of America Nonqualified Plans (continued)

Certain information regarding the Nonqualified Plans for the year ended 2006 is as follows:

	Senior VP Plan	415 Replacement Plan	SERP	Total
Benefit obligation as of October 31, 2005	$ 158,894	$ 84,827	$ 1,212,534	$ 1,456,255
Service cost	–	–	–	–
Interest cost	8,945	4,708	82,328	95,981
Benefits paid	–	–	–	–
Change in discount rate	–	–	–	–
Change in mortality	–	–	–	–
Actuarial (gain) loss	(6,295)	(7,492)	213,203	199,416
Benefit obligation as of October 31, 2006	$ 161,544	$ 82,043	$ 1,508,065	$ 1,751,652
Fair value of plan assets as of October 31, 2005	$ 69,743	$ –	$ –	$ 69,743
Contributions	–	–	–	–
Benefits paid	–	–	–	–
Actual return on assets	2,092	–	–	2,092
Fair value of plan assets as of October 31, 2006	$ 71,835	$ –	$ –	$ 71,835
Funded status as of October 31, 2006	$ (89,709)	$(82,043)	$(1,508,065)	$(1,679,817)
Net periodic benefit cost for the year ended December 31, 2006				
Service cost	$ –	$ –	$ –	$ –
Interest cost	8,945	4,708	82,328	95,981
Expected return on assets	(5,313)	–	–	(5,313)
Net amortization:				
Amortization of transition asset	–	–	–	–
Amortization of prior service cost	–	–	–	–
Amortization of net (gain) loss	(20,171)	(1,137)	43,464	22,156
Net periodic benefit cost	$ (16,539)	$ 3,571	$ 125,792	$ 112,824

6. Pension and Other Postretirement Benefits (continued)

United Way of America Nonqualified Plans (continued)

The actuarial loss included in unrestricted net assets related to the Nonqualified Plans, which is expected to be recognized in net periodic pension cost during 2008, is approximately $10,000.

Additional information:

	Year Ended December 31	
	2007	**2006**
Weighted-average assumptions		
Measurement date	**December 31, 2007**	December 31, 2006
Discount rate	**6.00%**	5.75%
Long-term rate	**8.00%**	8.00%
Cost of living adjustment	**3.00%**	3.00%

There are no expected contributions to the Nonqualified Plans during 2008.

	Senior VP Plan	415 Replacement Plan	SERP	Total
Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending:				
(a) December 31, 2008	$ 8,671	$ 5,907	$ 8,325	$ 22,903
(b) December 31, 2009	8,463	5,811	706,262	720,536
(c) December 31, 2010	8,239	5,706	–	13,945
(d) December 31, 2011	13,687	5,592	–	19,279
(e) December 31, 2012	13,370	5,467	–	18,837
(f) December 31, 2013 – December 31, 2017	61,178	25,058	1,262,985	1,349,221

6. Pension and Other Postretirement Benefits (continued)

UWA Postretirement Benefit Plan

UWA provides health care and life insurance benefits to certain retired employees (UWA Postretirement Benefit Plan). Employees become eligible for benefits in meeting certain age and service requirements. Spouses of eligible participants are also eligible if they meet certain requirements. UWA's policy is to fund these benefits through premium reimbursements to participants. However, in conformity with SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, the cost of providing these benefits is to be accrued over the service period of the active employee group.

Certain 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. This plan is frozen and not open to new participants.

Certain information regarding the UWA Postretirement Benefit Plan is as follows:

	Year Ended December 31	
	2007	**2006**
Benefit obligation, beginning of year	**$ 1,333,682**	$ 1,354,135
Service cost	**27,926**	19,351
Interest cost	**119,836**	74,619
Benefits paid	**(168,530)**	(158,076)
Change in discount rate	**(49,402)**	–
Change in mortality	**–**	–
Actuarial loss	**839,934**	43,653
Benefit obligation, end of year	**$ 2,103,446**	$ 1,333,682
Fair value of plan assets, beginning of year	**$ –**	$ –
Contributions	**168,530**	158,076
Benefits paid	**(168,530)**	(158,076)
Actual return on assets	**–**	–
Fair value of plan assets, end of year	**$ –**	$ –
Funded status at end of year	**$(2,103,446)**	$(1,333,682)

6. Pension and Other Postretirement Benefits (continued)

UWA Postretirement Benefit Plan (continued)

Amount recognized in the consolidated statements of financial position consists of:

	December 31 2007	December 31 2006
Current liabilities	**$ (155,000)**	N/A
Noncurrent liabilities	**(1,948,446)**	N/A

Amount recognized in unrestricted net assets consists of:

	Year Ended December 31 2007	Year Ended December 31 2006
Actuarial gain	**$ (748,466)**	N/A
Net periodic benefit cost		
Service cost	**$ 27,926**	$ 19,351
Interest cost	**119,836**	74,619
Expected return on assets	**–**	–
Net amortization:		
Amortization of transition asset	**–**	–
Amortization of prior service cost	**8,432**	(59,076)
Amortization of net gain	**(47,597)**	(40,905)
Net periodic benefit cost	**$ 108,597**	$ (6,011)

The actuarial gain included in unrestricted net assets related to the UWA Postretirement Benefit Plan, which is expected to be recognized in net periodic pension cost during 2008, is approximately $41,000. Prior service cost of approximately $8,000 will also be recognized.

6. Pension and Other Postretirement Benefits (continued)

UWA Postretirement Benefit Plan (continued)

Additional information:

	Year Ended December 31	
	2007	**2006**
Weighted-average assumptions		
Measurement date	**December 31, 2007**	December 31, 2006
Discount rate	**6.00%**	5.75%

UWA costs are frozen at 50% of the premium rate effective when the medical and dental plans were frozen; there are no future health care costs expected, beyond this rate.

Cash flow and estimated future benefit payments expected to be paid over the next 10 years under the UWA Postretirement Benefit Plan:

Expected contributions for fiscal year ending December 31, 2008:	
(a) Expected employer contributions	$ 155,000
(b) Expected employee contributions	–
Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending:	
(a) December 31, 2008	$ 155,000
(b) December 31, 2009	156,000
(c) December 31, 2010	157,000
(d) December 31, 2011	156,000
(e) December 31, 2012	158,000
(f) December 31, 2013 – December 31, 2017	794,000

UWA 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 approximately $867,000 and $735,000 for the years ended 2007 and 2006, respectively. As of October 1, 2006, Tri-State began participation in this plan.

6. Pension and Other Postretirement Benefits (continued)

UWA Postretirement Benefit Plan (continued)

In 2005, UWA established a 457(b) eligible deferred compensation plan to provide make up benefits to highly compensated employees that would not otherwise receive their full employer match under the 403(b) plan. The asset and liability for this plan is included on the consolidated statement of financial position. UWA's contribution to this plan was approximately $36,000 and $32,000 for the years ended 2007 and 2006, respectively.

In 1997, UW Store approved a 401(k) plan for all employees. UW Store accrued contributions of approximately $82,000 and $80,000 for the plan in 2007 and 2006, respectively.

Tri-State Postretirement Benefit Plan

The Tri-State regional office provides a flat dollar amount of life insurance benefits to certain retired employees (Tri-State Postretirement Benefit Plan). Employees become eligible for benefits by meeting certain age and service requirements. However, in conformity with SFAS No. 106, the cost of providing these benefits is to be accrued over the average remaining lifetime of the retiree group. The measurement dates used for the Tri-State Postretirement Benefit Plan disclosures are as of December 31, 2007 and 2006. The Tri-State Postretirement Benefit Plan had a 2006 fiscal year of the six-month period from July 1, 2006 to December 31, 2006. This plan had not been accounted for prior to July 1, 2006 (see Note 11).

Certain employees retiring from Tri-State on or after attaining age 55 and with five years of credited service are entitled to postretirement life insurance coverage. The life insurance amount is generally a flat $35,000 benefit with a few individuals entitled to slightly lesser amounts. This plan is frozen and not open to new participants. There are no plan assets associated with this obligation.

6. Pension and Other Postretirement Benefits (continued)

Tri-State Postretirement Benefit Plan (continued)

Certain information regarding the Tri-State Postretirement Benefit Plan is as follows:

	Year Ended December 31	
	2007	**2006**
Benefit obligation, beginning of year	**$ 284,960**	$ 269,997
Service cost	**–**	–
Interest cost	**16,615**	4,165
Benefits paid	**–**	–
Change in discount rate	**–**	10,569
Change in mortality	**–**	–
Actuarial (gain) loss	**(16,078)**	229
Benefit obligation, end of year	**$ 285,497**	$ 284,960
Funded status at end of year	**$(285,497)**	$(284,960)

Amount recognized in the consolidated statements of financial position consist of:

	December 31	
	2007	**2006**
Current liabilities	**$ (18,035)**	$ –
Noncurrent liabilities	**(267,462)**	(284,960)

Amount recognized in unrestricted net assets consist of:

	Year Ended December 31	
	2007	**2006**
Actuarial (gain) loss	**$ (16,078)**	$ 229
Accumulated benefit obligation at end of year	**$ 285,497**	$ 284,960

6. Pension and Other Postretirement Benefits (continued)

Tri-State Postretirement Benefit Plan (continued)

	Year Ended December 31	
	2007	**2006**
Net periodic benefit cost		
Service cost	**$ –**	$ –
Interest cost	**16,615**	4,165
Expected return on assets	**–**	–
Net amortization:		
Amortization of transition asset	**–**	–
Amortization of prior service cost	**16,840**	4,210
Amortization of net (gain)/loss	**–**	–
Net periodic benefit cost	**$ 33,455**	$ 8,375

The prior service cost included in unrestricted net assets related to the Tri-State Postretirement Benefit Plan, which is expected to be recognized in net periodic pension cost during 2008, is approximately $16,840.

Additional information:

	Year Ended December 31	
	2007	**2006**
Weighted-average assumptions		
Measurement date	**December 31, 2007**	December 31, 2006
Discount rate	**6.00%**	6.00%

6. Pension and Other Postretirement Benefits (continued)

Tri-State Postretirement Benefit Plan (continued)

Cash flow and estimated future benefit payments expected to be paid over the next 10 years under the Tri-State Postretirement Benefit Plan:

Expected contributions for fiscal year ending December 31, 2008:	
(a) Expected employer contributions	$ 18,035
(b) Expected employee contributions	–
Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending:	
(a) December 31, 2008	$ 18,035
(b) December 31, 2009	20,207
(c) December 31, 2010	22,639
(d) December 31, 2011	25,378
(e) December 31, 2012	28,463
(f) December 31, 2013 – December 31, 2017	200,570

Tri-State owns several life insurance policies with split dollar arrangements for certain retired executives. The total of the value of these policies were approximately $135,000 and $145,000 for the years ended December 31, 2007 and 2006, respectively. This value is included in other noncurrent assets on the consolidated statements of financial position.

Tri-State has a deferred compensation agreement for the payment of a flexible premium annuity over the beneficiary's life with any remaining benefits to be distributed to the beneficiary's estate. The asset and liability for this plan is included on the consolidated statements of financial position. The fair market value of this plan was approximately $812,000 and $773,000 for the years ended December 31, 2007 and 2006, respectively.

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

7. Licenses (continued)

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 2007 and 2006 UWA leased office space to UWI at a monthly rent of approximately $6,200 and $6,000, 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 on an allocable basis 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. Upon acquisition of Tri-State in 2006, the future liability related to the unused space was recognized. The present value of the future lease payments on the unused location, net of proceeds from the sublease, is approximately $554,000 and is included in accrued expenses within the consolidated statements of financial position. Leased office equipment includes the telephone system and computer components. Rent expense was approximately $455,000 and $460,000 in 2007 and 2006, respectively.

The UW Store main office lease expires November 30, 2009. Rent expense for the UW Store amounted to approximately $162,000 and $141,000 for the years ended 2007 and 2006, respectively.

Future minimum lease payments under the operating leases as of December 31, 2007, are as follows:

	UWA	**UW Store**	**Sublease Income**	**Total**
		(In Thousands)		
2008	$ 1,144	$ 160	$(197)	$ 1,107
2009	1,102	150	(201)	1,051
2010	1,062	–	(206)	856
2011	891	–	(210)	681
2012 and thereafter	520	–	(125)	395
Total future minimum lease payments	$ 4,719	$ 310	$(939)	$ 4,090

8. Commitments and Contingencies (continued)

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 2007 and 2006 valued at approximately $775,000 and $3.9 million, respectively. These donations are reflected in UWA's consolidated statements 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 approximately $21 million and $25 million for the 2007/2008 and 2006/2007 NFL seasons, respectively.

In addition, approximately $45 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.

10. Subsequent Event

Effective June 30, 2008, eWay sold substantially all its assets and transferred certain of its liabilities to Create Hope, Inc., a for-profit Delaware corporation. Net revenue for eWay was approximately $6,512,000 for the year ended December 31, 2007. The carrying amount of the assets and liabilities included in the sale is estimated to be $247,000 comprised of $565,000 receivables, other assets of $863,000 and liabilities of $1,181,000, as of June 30, 2008. eWay received 38,992,624 shares of Create Hope, Inc.'s Series D Convertible Preferred Stock (Preferred Stock), par value $0.01 per share. This holding represents a 49% voting interest in Create Hope, Inc. The total fair value of the acquisition by Create Hope, Inc. was approximately $5,150,000.

10. Subsequent Event (continued)

Subsequent to the transaction, eWay transferred its rights in the Preferred Stock to UWA. In conjunction with the transaction, UWA is required to provide a cash payment of approximately $278,000, at closing, to Create Hope, Inc. and up to approximately $250,000 in future funding, if deemed necessary. Additionally, as required under the terms of the acquisition agreement, UWA has agreed to take responsibility of the outstanding eWay loan totaling approximately $3,471,500 at June 30, 2008.

Based on the voting interest received in the transaction, UWA will be required to consolidate Create Hope, Inc. prospectively within its consolidated financial statements from the date of sale of eWay assets.

11. Restatement of Prior-Year Balances

The accompanying consolidated financial statements as of and for the year ended December 31, 2006 have been restated to increase postretirement liabilities, reclassify certain related accounts payable balances, and reduce unrestricted net assets to correct the accounting for a postretirement benefit obligation of the Tri-State Postretirement Benefit Plan. The adjustments noted below are to properly reflect this liability. The restatement is summarized as follows:

	2006 As Previously Recorded	Adjustments	2006 As Restated
		(In Thousands)	
Accounts payable and accrued liabilities	$ 6,095	$(263)	$ 5,832
Postretirement benefits, net of current portion	2,556	547	3,103
Merger with United Way Tri-State	(316)	(284)	(600)
Change in net assets	(5,076)	(284)	(5,360)
Net assets and equity:			
Unrestricted	13,475	(284)	13,191

Supplemental Schedule

United Way of America

Schedule of Functional Expenses

Year Ended December 31, 2007

(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**	**Fundraising**	**Total Supporting Services**	**Total Expenses**
Salaries	**$ 3,239**	**$ 2,743**	**$ 2,413**	**$ 1,789**	**$ 2,983**	**$ 590**	**$ 665**	**$ 14,422**	**$ 2,860**	**$ 338**	**$ 3,198**	**$ 17,620**
Employee benefits and taxes	**738**	**611**	**547**	**408**	**676**	**134**	**137**	**3,251**	**656**	**77**	**733**	**3,984**
Professional fees and contract services	**1,123**	**1,726**	**1,208**	**560**	**3,961**	**260**	**107**	**8,945**	**1,433**	**46**	**1,479**	**10,424**
Conferences and travel	**745**	**334**	**1,582**	**295**	**442**	**75**	**30**	**3,503**	**215**	**39**	**254**	**3,757**
Subscriptions, dues, and staff development	**33**	**16**	**35**	**40**	**42**	**8**	**–**	**174**	**150**	**1**	**151**	**325**
Scholarships, grants, and awards	**12**	**457**	**10**	**5,342**	**12**	**2**	**–**	**5,835**	**9**	**–**	**9**	**5,844**
Supplies	**113**	**80**	**116**	**71**	**190**	**392**	**11**	**973**	**94**	**4**	**98**	**1,071**
Telephone	**140**	**90**	**57**	**61**	**82**	**25**	**25**	**480**	**84**	**26**	**110**	**590**
Postage and shipping	**26**	**15**	**35**	**14**	**15**	**1**	**1**	**107**	**22**	**1**	**23**	**130**
Occupancy	**210**	**190**	**176**	**153**	**202**	**28**	**224**	**1,183**	**439**	**–**	**439**	**1,622**
Other expenses	**6**	**135**	**–**	**520**	**128**	**–**	**289**	**1,078**	**95**	**1**	**96**	**1,174**
Depreciation and amortization	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**4**	**783**	**–**	**783**	**787**
Total expenses	**$ 6,385**	**$ 6,397**	**$ 6,179**	**$ 9,253**	**$ 8,733**	**$ 1,515**	**$ 1,493**	**$ 39,955**	**$ 6,840**	**$ 533**	**$ 7,373**	**$ 47,328**

United Way of America

Schedule of Functional Expenses (continued)

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	Fundraising	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