

United Way International

Financial Report
December 31, 2006

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McGladrey & Pullen

Certified Public Accountants

Independent Auditors Report

To the Board of Directors
United Way International
Alexandria, Virginia

We have audited the accompanying balance sheet of United Way International as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The prior year summarized comparative financial information has been derived from the United Way International's 2005 financial statements. The financial statements of United Way International for the year ended December 31, 2005, were audited by other auditor's whose report dated April 24, 2006, expressed an unqualified opinion on those statements.

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

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of United Way International as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Alexandria, Virginia
October 17, 2007

United Way International

Balance Sheet

December 31, 2006

(With Comparative Totals For 2005)

Assets	2006	2005
Cash and cash equivalents	\$ 7,005,936	\$ 9,364,288
Receivables:		
Promises to give	4,508,275	3,242,261
Accrued interest and other receivables	85,200	28,879
Prepaid expenses	600	25,053
Investments	7,352,923	5,390,658
Property and equipment, net	259,944	193,168
	<u>\$ 19,212,878</u>	<u>\$ 18,244,307</u>

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 168,747	\$ 148,747
Contributions payable	65,850	151,500
Total liabilities	<u>234,597</u>	<u>300,247</u>

Commitments (Notes 3, 7 and 11)

Net Assets

Unrestricted:

Designated	6,353,860	6,058,345
Undesignated	1,152,891	1,280,875
	<u>7,506,751</u>	<u>7,339,220</u>
Temporarily restricted	11,471,530	10,604,840
	<u>18,978,281</u>	<u>17,944,060</u>

	<u>\$ 19,212,878</u>	<u>\$ 18,244,307</u>
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See Notes To Financial Statements.

United Way International

Statement Of Activities
 Year Ended December 31, 2006
 (With Comparative Totals For 2005)

	2006			2005 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and support:				
Contributions	\$ 13,849,911	\$ 10,372,208	\$ 24,222,119	\$ 22,152,738
Investment income	499,873	-	499,873	278,927
World Assembly	-	190,248	190,248	224,244
Donated services and equipment	66,386	-	66,386	260,009
Other income	4,931	-	4,931	-
Net assets released from restrictions	9,695,766	(9,695,766)	-	-
Total revenue and support	24,116,867	866,690	24,983,557	22,915,918
Expenses:				
Program services	23,147,475	-	23,147,475	17,674,364
Management and general	456,071	-	456,071	299,261
Fundraising	345,790	-	345,790	530,229
Total expenses	23,949,336	-	23,949,336	18,503,854
 Change in net assets	 167,531	 866,690	 1,034,221	 4,412,064
Net assets:				
Beginning	7,339,220	10,604,840	17,944,060	13,531,996
Ending	<u>\$ 7,506,751</u>	<u>\$ 11,471,530</u>	<u>\$ 18,978,281</u>	<u>\$ 17,944,060</u>

See Notes To Financial Statements.

United Way International

Statement Of Functional Expenses
 Year Ended December 31, 2006
 (With Comparative Totals For 2005)

	Program Services	Management and General	Fundraising	2006 Total	2005 Total
Health and human services donations/grants	\$ 20,888,429	\$ -	\$ -	\$ 20,888,429	\$ 15,282,743
Salaries	884,595	110,819	206,877	1,202,291	1,036,200
Employee benefits and payroll taxes	148,724	32,277	31,929	212,930	274,995
Legal expenses, professional and contract	409,680	120,875	26,793	557,348	664,234
Conferences and travel	388,742	28,704	5,030	422,476	331,630
Occupancy and maintenance	87,940	20,226	17,434	125,600	184,222
Supplies, telephone and postage	99,008	29,383	16,161	144,552	100,325
Depreciation	78,523	29,584	17,949	126,056	148,580
Miscellaneous	79,362	19,223	17,626	116,211	47,463
Publications	73,733	801	5,653	80,187	16,597
Donated services	2,259	64,127	-	66,386	103,717
Subscriptions and membership dues	6,480	52	338	6,870	9,274
Loss on disposal of furniture and equipment	-	-	-	-	303,874
Total expenses	\$ 23,147,475	\$ 456,071	\$ 345,790	\$ 23,949,336	\$ 18,503,854

See Notes To Financial Statements.

United Way International

Statement Of Cash Flows
 Year Ended December 31, 2006
 (With Comparative Totals For 2005)

	2006	2005
Cash Flows From Operating Activities		
Change in net assets	\$ 1,034,221	\$ 4,412,064
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	126,056	148,580
Loss on disposal of property and equipment	-	303,874
Realized and unrealized loss/(gain) on investments	56,694	(139,927)
Contributed furniture and equipment	-	(156,299)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(1,266,014)	1,593,650
Accrued interest and other receivables	(56,321)	(22,079)
Prepaid expenses	24,453	(1,570)
Increase (decrease) in:		
Accounts payable and accrued expenses	20,000	114,789
Contributions payable	(85,650)	28,025
Funds managed by others	-	(1,920)
Net cash (used in) provided by operating activities	<u>(146,561)</u>	<u>6,279,187</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	3,756,342	7,713,908
Purchase of investments	(5,775,300)	(9,825,000)
Purchase of property and equipment	(192,833)	(29,084)
Net cash (used in) investing activities	<u>(2,211,791)</u>	<u>(2,140,176)</u>
Net (decrease) increase in cash and cash equivalents	(2,358,352)	4,139,011
Cash And Cash Equivalents		
Beginning	9,364,288	5,225,277
Ending	<u>\$ 7,005,936</u>	<u>\$ 9,364,288</u>
Supplemental Schedule Of Noncash Investing Activities		
Contributed furniture and equipment received	<u>\$ -</u>	<u>\$ 156,299</u>

See Notes To Financial Statements.

United Way International

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: United Way International (UWI) was organized to help build community capacity for a better quality of life worldwide through voluntary giving and action in countries and territories outside the United States. UWI is an international not-for-profit organization headquartered in Alexandria, Virginia. UWI affiliates, which are located outside the United States, are not controlled by UWI and, therefore, are not consolidated in the UWI financial statements. In addition to fundraising and management and general expenses, UWI has the following programs under which it classifies expenses:

Program Services — Includes materials for development, training, technical assistance, and conferences related to promoting volunteerism, philanthropy, health and human services, and not-for-profit initiative. In addition to general international activities, program expenses include specific activities in various other countries. Included in training and technical assistance is the Biennial World Assembly conference. The objective of the UWI World Assembly is to strengthen the position of its members to care for people locally by providing quality occasions for interaction with corporations, nongovernmental international organizations, foundations, North American United Ways, and each other. It provides its members with the opportunity to share their knowledge and enhance their skills and allows UWI to communicate techniques and innovations, in resource development while reenergizing their volunteers and staff. It promotes the United Way brand internationally and blends technology with the needs of not-for-profit organizations.

A summary of UWI's significant accounting policies follows:

Basis of accounting: The financial statements are prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, UWI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2006.

Cash and cash equivalents: For the purposes of reporting cash flows, UWI considers highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Financial risk: UWI maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. UWI has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash.

UWI invests in professionally managed portfolios that contain equities and government securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments: Investments are carried at fair market value. Fair market is determined using quoted market prices. To adjust the carrying value of the investments, unrealized gains and losses are reported in the statement of activities as part of investment income.

Revenue recognition: Contributions received are recorded as permanently restricted, temporarily restricted, or unrestricted revenue, depending on the existence and/or nature of any donor restrictions.

United Way International

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and equipment: Furniture and equipment are stated at cost or at fair value at the time of receipt, if donated, net of accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over a 3-year or 5-year estimated useful life.

Valuation of long-lived assets: UWI accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Affiliate support: United Way International has 48 affiliates/members around the world. These members are independent organizations that raise and allocate funds locally to support a wide range of programs and charities. Funds raised by UWI members remain in the country to meet local needs in nonpartisan, nonpolitical ways. Affiliates contribute annually to UWI to help offset the cost of licensing and other legal requirements associated with membership costs.

Income taxes: UWI has received an exemption from the Internal Revenue Service indicating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. UWI is subject to income taxes on revenue generated from sources unrelated to its exempt purpose. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Functional allocation of expenses: The allocation of the costs of providing UWI's various programs has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain indirect costs have been allocated to program, fundraising, and management and general activities based on managements' estimates of effort devoted to these activities.

Net assets: UWI classifies net assets into two categories: unrestricted and temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Unrestricted net assets are contributions without a donor imposed time and/or program restriction. The UWI Board of Directors may, at its discretion, designate unrestricted funds for mission-related program activities. "Unrestricted and undesignated net assets" is the fund available to the organization to maintain its operations while "unrestricted and designated net assets" are unrestricted funds set aside for a specific program or purpose by the Board of Directors.

United Way International

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UWI's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Reclassifications: Certain reclassifications have been made to the 2005 amounts to conform to the 2006 presentation. These reclassifications had no effect on previously reported change in net assets.

Note 2. Donated Services

UWI receives contributed services from various third-party organizations. The fair value of these services is estimated to be approximately \$66,386 in 2006. These amounts are included in donated services revenue and as expenses in the accompanying financial statements.

Note 3. Related Party Transactions

UWI leases office space from the United Way of America (UWA) under an operating lease that expires and is renewed annually. In addition, UWI also receives IT and human resources support from UWA. UWI paid approximately \$90,000 for these services for the year ended December 31, 2006.

UWA entered into a five-year operating lease for copiers on behalf of UWI during 2003. Non-cancelable minimum rental commitments at December 31, 2006, under this operating lease were as follows:

Years Ending December 31,	
2007	\$ 6,216
2008	5,346
	<u>\$ 11,562</u>

Note 4. Promises To Give

The following are unconditional promises to give at December 31, 2006:

Amount due in:	
Less than 1 year	\$ 3,675,736
1 - 5 years	874,700
	<u>4,550,436</u>
Less: discount to present value (4.82%)	(42,161)
	<u>\$ 4,508,275</u>

Unconditional promises to give that are expected to be collected in future years are discounted to present values using discount rates that approximate U.S. Treasury borrowing rates of the respective periods of collection.

United Way International

Notes To Financial Statements

Note 4. Promises To Give (Continued)

Management believes that all promises to give are fully collectible and consequently no allowance for doubtful promises to give has been recorded at December 31, 2006.

Note 5. Investments

Investments consist of the following at December 31, 2006:

Certificates of deposit	\$ 7,185,599
Government and corporate debt	143,951
Equity securities	23,373
	<u>\$ 7,352,923</u>

The following summarizes investment income for the year ended December 31, 2006:

Interest and dividends	\$ 556,567
Net realized and unrealized losses on investments	(56,694)
	<u>\$ 499,873</u>

Note 6. Benefit Plan

UWI sponsors a defined-contribution plan. UWI contributes 10% of annual pay for each employee. UWI's contributions to the defined contribution plan totaled \$24,858 for the year ended December 31, 2006.

UWI also offers a tax-deferred annuity plan through Mutual of America. The plan is available to all full-time employees. Employee contributions may be made each payroll period through pretax salary reductions. No amounts were deferred during the year ended December 31, 2006.

Note 7. United Way Moscow

In 1990, UWI established its office in Moscow and solicited local business representatives to form an advisory board and to promote the concepts of philanthropic giving in Russia. In 1997 the advisory board became a true board of directors and the control and funding of the United Way effort passed from UWI to United Way Moscow (UWM). UWM has since become a member organization of UWI.

Due to local legislation restrictions on charitable organizations, UWM is unable to make certain routine transactions, including signing lease agreements, without the guarantee of UWI. In order to assist UWM, to conduct its operation in compliance with the laws of the Russian Federation, UWI grants power of attorney to UWM in the Russian Federation every two years. UWI's most recent grant of power of attorney to UWM was on April 7, 2005, for a two-year period from May 1, 2005.

Management is of the view that UWM is a member organization and an entity independent of UWI. UWM has its own governing body, which controls and is responsible for UWM's operation, including all funding and personnel arrangements. UWI's granting of power of attorney does not imply that UWM is part of UWI and that UWM is therefore subject to the control of UWI. As such, management concluded that it is not appropriate to consolidate UWM in UWI's financial statements.

United Way International

Notes To Financial Statements

Note 8. Property And Equipment And Accumulated Depreciation

Property and equipment consist of the following at December 31, 2006:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net
Furniture and equipment	5 – 10 years	\$ 413,428	\$ 153,484	\$ 259,944
Leasehold improvements	3 years	3,803	3,803	-
		<u>\$ 417,231</u>	<u>\$ 157,287</u>	<u>\$ 259,944</u>

Depreciation expense was \$126,056 for the year ended December 31, 2006.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2005	Additions	Released	2006
Purpose restricted – grants	\$ 7,362,579	\$ 7,877,518	\$ 8,276,842	\$ 6,963,255
Time restricted	3,242,261	2,684,938	1,418,924	4,508,275
	<u>\$ 10,604,840</u>	<u>\$ 10,562,456</u>	<u>\$ 9,695,766</u>	<u>\$ 11,471,530</u>

Note 10. Commitments

UWI has contracted with various hotels for convention and hotel space for its future meetings. In the event that UWI cancels or reduces its contracted room nights, UWI may be liable for cancellation fees for all rooms that the hotel will not be able to resell.