

United Service Organizations, Inc.

These financial statements reflect the accounts of USO World Headquarters and its international and domestic centers. U.S. operations chartered by USO World Headquarters are financially autonomous and, therefore, are not included in these financial statements. The complete report on the examination of our financial statements by our auditors, Grant Thornton, LLP, as of and for the years ended December 31, 2006 and December 31, 2005, will be made available on request.

Statement of Financial Position, December 31, 2006 and 2005

<i>Assets</i>	<i>2006</i>	<i>2005</i>
Cash and cash equivalents	\$ 14,409,951	\$ 11,405,225
Contributions receivable, net	1,849,176	874,964
Other receivables	1,661,080	2,878,788
Prepaid expenses and other assets	957,195	689,905
Inventory	1,582,655	2,574,267
Investments	57,100,043	55,065,363
Note receivable	226,533	395,729
Fixed assets - net	3,531,802	1,712,092
Total Assets	\$ 81,318,435	\$ 75,596,333

<i>Liabilities and Net Assets</i>	<i>2006</i>	<i>2005</i>
Liabilities		
Accounts payable and accrued expenses	\$ 6,264,616	\$ 5,928,524
Deferred rent	746,703	764,443
Severance payable	181,611	130,751
Total Liabilities	<u>7,192,930</u>	<u>6,823,718</u>
Net Assets		
Unrestricted		
Operating	\$ 12,311,582	\$ 8,110,351
Board-designated		
Capital Reserve Fund	—	3,245,276
Spirit of Hope	29,555,213	23,690,862
Total unrestricted	<u>41,866,795</u>	<u>35,046,489</u>
Temporarily restricted		
Desert Storm Education Fund	1,199,237	1,255,321
Time Restriction	1,845,370	—
Ongoing Program Activities	3,533,089	6,379,754
Spirit of Hope	—	423,348
USO Councils and Others	83,091	69,780
Camp Casey	—	25,000
Total temporarily restricted	<u>6,660,787</u>	<u>8,153,203</u>
Permanently restricted		
Camp Casey	25,000	—
Spirit of Hope	25,572,923	25,572,923
Total permanently restricted	<u>25,597,923</u>	<u>25,572,923</u>
Total Net Assets	<u>74,125,505</u>	<u>68,772,615</u>
Total Liabilities and Net Assets	<u>\$ 81,318,435</u>	<u>\$ 75,596,333</u>

United Service Organizations, Inc.

Statement of Activities, Year Ended December 31, 2006 and 2005

	2006			2005	
Revenue and Support	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Programs					
USO center revenue	\$ 10,985,361	\$ 2,675,431	\$ —	\$ 13,660,792	\$ 15,639,921
Contributed services and facilities	77,804,340	5,693,090	—	83,497,430	81,969,024
Entertainment grants and sponsorships	2,593,504	—	—	2,593,504	1,789,019
Public support					
Corporate, foundation and individual giving	5,016,191	3,732,403	—	8,748,594	10,551,843
Public appeals	32,325,150	—	—	32,325,150	29,058,526
United Way, CFC and other federated	1,040,528	—	—	1,040,528	1,092,439
Investment income	6,317,510	122,611	—	6,440,121	2,443,041
Rental and other income	393,703	—	—	393,703	563,737
Total Revenue and Support	136,476,287	12,223,535	—	148,699,822	143,107,550
Transfer		(25,000)	25,000	—	—
Net Assets Released from Restrictions	13,690,951	(13,690,951)	—	—	—
Total Revenue and Other Support	\$ 150,167,238	\$ (1,492,416)	\$ 25,000	\$ 148,699,822	\$ 143,107,550

	2006				2005
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Expenses					
Program services					
USO operating center	\$ 26,546,565	\$ —	\$ —	\$ 26,546,565	\$ 25,556,797
Contributed services and facilities	84,041,589	—	—	84,041,589	80,469,942
Entertainment	5,789,610	—	—	5,789,610	3,562,042
Communications and public awareness outreach	7,451,945	—	—	7,451,945	6,188,029
Special programs	178,695	—	—	178,695	201,156
Total Program Expenses	124,008,404	—	—	124,008,404	115,977,966
Supporting Services					
Fundraising	12,767,448	—	—	12,767,448	11,837,919
Management and general	6,571,080	—	—	6,571,080	4,644,355
Total Supporting Services	19,338,528	—	—	19,338,528	16,482,274
Total Operating Expenses	143,346,932	—	—	143,346,932	132,460,240
Changes in Net Assets	\$ 6,820,306	\$ (1,492,416)	\$ 25,000	\$ 5,352,890	\$ 10,647,310
Net Assets, beginning of year	35,046,489	8,153,203	25,572,923	68,772,615	58,125,305
Net Assets, end of year	\$ 41,866,795	\$ 6,660,787	\$ 25,597,923	\$ 74,125,505	\$ 68,772,615