

United Way of Taiwan, R.O.C.

Financial Statements as of
December 31, 2008 and 2007
Together with Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

The Board of Trustees
United Way of Taiwan, R.O.C.

We have audited the accompanying balance sheets of the United Way of Taiwan, R.O.C. as of December 31, 2008 and 2007, and the related statements of revenues and expenditures, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Taiwan, R.O.C. as of December 31, 2008 and 2007, and of the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted and related governing regulations in the Republic of China.

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February 4, 2009

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

UNITED WAY OF TAIWAN, R.O.C.

BALANCE SHEETS
December 31, 2008 and 2007
(Express in New Taiwan Dollars)

	2008		2007	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents(Note 4)	\$411,311,456	80	\$ 324,212,790	78
Donations receivable	9,167,140	2	6,440,727	2
Other receivable	1,450,872	--	1,434,009	--
Other current assets	20,000	--	12,516	--
Total Current Assets	<u>421,949,468</u>	<u>82</u>	<u>332,100,042</u>	<u>80</u>
DESIGNATED DEPOSITS				
Emergency Endowment Fund (Note 6)	39,385,005	8	\$33,347,630	8
Business Development Fund (Note 6)	<u>37,893,331</u>	<u>7</u>	<u>33,253,524</u>	<u>8</u>
Total Designated Deposits	<u>77,278,336</u>	<u>15</u>	<u>66,601,154</u>	<u>16</u>
PROPERTIES-NET (Notes 5)	<u>16,129,914</u>	<u>3</u>	<u>16,371,457</u>	<u>4</u>
REFUNDABLE DEPOSITS	<u>362,400</u>	<u>--</u>	<u>362,400</u>	<u>--</u>
TOTAL ASSETS	<u>515,718,118</u>	<u>100</u>	<u>\$ 415,435,053</u>	<u>100</u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Notes payable	\$ 503,046	-	\$ 1,881,451	1
Accrued endowment expenses	316,497,255	62	302,978,999	73
Accrued expenses	1,652,766	--	1,638,691	--
Other current liabilities	<u>119,001</u>	<u>--</u>	<u>42,400</u>	<u>--</u>
Total Current Liabilities	<u>318,772,068</u>	<u>62</u>	<u>306,541,541</u>	<u>74</u>
GUARANTEE DEPOSITS & MARGINS RECEIVED	<u>150,000</u>	<u>--</u>	<u>150,000</u>	<u>--</u>
Total Liabilities	<u>318,922,068</u>	<u>62</u>	<u>306,691,541</u>	<u>74</u>
FUND BALANCES (Notes 6)				
Emergency Endowment Fund	39,385,005	8	33,347,630	8
Business Development Fund	37,893,331	7	33,253,524	8
General Fund	<u>119,517,714</u>	<u>23</u>	<u>42,142,358</u>	<u>10</u>
Total Fund Balances	<u>196,796,050</u>	<u>38</u>	<u>108,743,512</u>	<u>26</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$515,718,118</u>	<u>100</u>	<u>\$ 415,435,053</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

UNITED WAY OF TAIWAN, R.O.C.

STATEMENTS OF REVENUE AND EXPENDITURE

Years Ended December 31, 2008 and 2007

(Express in New Taiwan Dollars)

	2008			2007		
	Charity fund Administration			Charity fund Administration		
	(Note 7)	Fund	Total	(Note 7)	Fund	Total
REVENUES						
Donations	\$411,607,751	\$42,116,671	\$453,724,422	\$332,065,364	\$ 29,490,517	\$361,555,881
Interest income	681,800	3,319,763	4,001,563	494,939	3,034,302	3,529,241
Other income	--	1,008,234	1,008,234	--	1,192,744	1,192,744
Total Revenues	412,289,551	46,444,668	458,734,219	332,560,303	33,717,563	366,277,866
EXPENDITURES						
Endowment	332,195,854	--	332,195,854	311,872,582	--	311,872,582
Fund reservation	14,622,150	--	14,622,150	10,149,140	--	10,149,140
Personnel	1,063,724	12,306,764	13,370,488	--	11,722,015	11,722,015
Activities	1,661,851	14,382,533	16,044,384	2,201,468	12,673,360	14,874,828
Administration	--	4,643,206	4,643,206	--	4,198,283	4,198,283
Depreciation	--	296,621	296,621	--	360,067	360,067
Loss on write-off properties	--	133,397	133,397	--	31,407	31,407
Total Expenditures	349,543,579	31,762,521	381,306,100	324,223,190	28,985,132	353,208,322
EXCESS (DEFICIENCY) OF REVENUES PRE-TAX OVER EXPENDITURES	62,745,972	14,682,147	77,428,119	8,337,113	4,732,431	13,069,544
TAX	--	(52,763)	(52,763)	--	(46,598)	(46,598)
EXCESS (DEFICIENCY) OF REVENUES AFTER-TAX OVER EXPENDITURES	62,745,972	14,629,384	77,375,356	8,337,113	4,685,833	13,022,946
FUND BALANCE, BEGINNING OF YEAR	18,086,593	24,055,765	42,142,358	9,749,480	19,369,932	29,119,412
FUND BALANCE, END OF YEAR	\$ 80,832,565	\$ 38,685,149	\$ 119,517,714	\$ 18,086,593	\$ 24,055,765	\$ 42,142,358

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

UNITED WAY OF TAIWAN, R.O.C.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007
(Express in New Taiwan Dollars)

	2008	2007
CHANGES IN OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 77,375,356	\$ 13,022,946
Depreciation	296,621	360,067
Loss on write-off properties	133,397	31,407
Changes in operating assets and liabilities:		
Notes and Donation receivable	(2,726,413)	6,933,442
Other receivable	(16,863)	707,999
Other current assets	(7,484)	(12,516)
Notes payable	(1,378,405)	(1,068,467)
Accrued endowment expenses	13,518,256	21,938,408
Accrued expenses	14,075	279,164
Other current liabilities	76,601	3,600
Net Cash Used by Operating Activities	<u>87,285,141</u>	<u>42,196,050</u>
CHANGES IN INVESTING ACTIVITIES		
Acquisition of properties	(188,475)	(237,190)
Guarantee deposits	2,000	--
Net Cash Used by Investing Activities	<u>(186,475)</u>	<u>(237,190)</u>
NET INCREASE IN CASH	87,098,666	41,958,860
CASH, BEGINNING OF YEAR	324,212,790	282,253,930
CASH, END OF YEAR	<u>\$ 411,311,456</u>	<u>\$ 324,212,790</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$--	\$--
Cash paid for income tax	\$46,598	\$--

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF TAIWAN, R.O.C.

NOTES TO FINANCIAL STATEMENTS

(Express in New Taiwan Dollars)

1. THE OBJECTIVE OF ESTABLISHMENT AND SCOPE OF ACTIVITIES

The United Way of Taiwan, R.O.C. (“the Association”) was established on November 9, 1992 under the Civil Code and related governing laws and regulations.

The mission of the Association is to integrate the resources of people in the society, plan and conduct cost-effective donor oriented fund-raising, adding value to the community through the conduct of social welfare activities and pursuing the ideals of United Way. The Association engages in following activities:

- a. Pursuing the ideal of united fund-raising way by national advertising and promotion program and establishing the system of the united way;
- b. Promoting social welfare and social aid work by the way of holding united fund-raising activities and planning, reallocating and utilizing the raised resources; and,
- c. Pursuing any related activities to add value to the society by responding to and supporting to local non-profit organizations to help increase the organized capacity of people to care for one another.

2. THE SOURCE OF FUNDS

The source of funds to support the Association’s operation is from the donation received and the interests income from the funds.

3. SIGNIFICANT ACCOUNTING POLICIES

Donation income, endowment expenditure and other related expenditures

Donations are recognized as income when written firm commitments from the donors are received. Donations received are classified as Charity Fund or Administration Fund in accordance with the specified purpose of the donation. Donations received that are intended for a particular purpose are transferred to the account of the specific charitable institution. The Administration Fund is from donations specifically intended for by the donors to cover the general administrative expenses of the Association and eleven percent (11%) of the donations received for unspecified charity projects/activities.

Endowment expenditures are accrued after the endowment projects are approved by a committee designated by the Association. Other related expenditures, such as personnel, operational and administration expenses are recognized when incurred.

Properties

Properties are stated at cost less accumulated depreciation. Major addition, replacement and betterment are capitalized while maintenance and repairs are expensed currently.

Depreciation is computed by the straight-line method over fifty six years (56) for building and improvements and three (3) to ten (10) years for office equipment.

When assets are retired or disposed of, their cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are credited to or charged against income.

Income tax

The Association's income, except those arising from sell of goods and services, is exempt from income tax. The foregoing exemption is in accordance with the Income Tax Law of Republic of China and "Standards for Exemption from Income Tax of Educational, Cultural, Welfare, and Charity Organization".

4. CASH AND CASH EQUIVALENTS

	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 30,000	\$ 30,000
Check deposit and Demand deposit	233,963,130	142,536,651
Time deposit –1.00%~2.63% for 2008 1.10%~2.18% for 2007	177,318,326	181,646,139
	<u>\$411,311,456</u>	<u>\$ 324,212,790</u>

5. PROPERTIES

	<u>2008</u>	<u>2007</u>
Cost		
Land	\$13,339,429	\$ 13,339,429
Building	2,410,571	2,410,571

Equipment	3,642,530	4,397,965
	<u>19,392,530</u>	<u>20,147,965</u>
Accumulated depreciation		
Building	733,585	689,216
Equipment	2,529,031	3,087,292
	<u>3,262,616</u>	<u>3,776,508</u>
	<u>\$ 16,129,914</u>	<u>\$ 16,371,457</u>

6. FUND

The fund is reserved in accordance with the regulations of donation allocation and administration, the methods of fund reservation are as follows:

<u>Item</u>	<u>Reserved Method</u>
Emergency Fund	Two percent of unspecified donations received and interest of the Fund
Business Development Fund	Two percent of unspecified donations received and interest of the Fund

Unless decided by the Board of Trustees and approved by the authorities concerned, any change of the fund is prohibited.

Changes in fund:

	<u>Emergency Fund</u>	<u>Business Development Fund</u>
<u>2008</u>		
Balance, beginning of year	\$ 33,347,630	\$ 33,253,524
Reservation:		
By percentage	7,311,075	7,311,075
Interest on Fund	758,959	746,572
Disbursement in Fund	(2,032,659)	(3,417,840)
Balance, end of year	<u>\$ 39,385,005</u>	<u>\$ 37,893,331</u>

2007

	<u>Emergency Fund</u>	<u>Business Development Fund</u>
Balance, beginning of year	\$ 34,673,316	\$ 31,303,610
Reservation:		
By percentage	5,074,570	5,074,570
Interest on Fund	756,141	583,751
Disbursement in Fund	(7,156,397)	(3,708,407)
Balance, end of year	<u>\$ 33,347,630</u>	<u>\$ 33,253,524</u>

7.INCOME TAX**2008**

Income earned from selling goods or providing services	\$	251,055
+) Income earned from excluding selling goods or providing services		--
Total taxable income		<u>251,055</u>
×) Tax rate		25%
—) Progressive as in tax rate		<u>(10,000)</u>
Tax Payable	<u>\$</u>	<u>52,763</u>

2007

Income earned from selling goods or providing services	\$	226,393
+) Income earned from excluding selling goods or providing services		--
Total taxable income		<u>226,393</u>
×) Tax rate		25%
—) Progressive as in tax rate		<u>(10,000)</u>
Tax Payable	<u>\$</u>	<u>46,598</u>

The ratio of 2008 spending about the operation purpose to 2008 donations at 83.17% is higher than the Income Tax Law of Republic of China and “Standards for Exemption from Income Tax of Educational, Cultural, Welfare, and Charity Organization” of 70%. The Association’s income, except those arising from sell of goods and services, is exempt from income tax .

8.CHANGES IN CHARITY FUND

	2008				
	Receipt and Expenditure of Charity				
	General	Fine	Sichuan Earthquake relief fund	Intended Fund	Total
Revenues:					
Donations	\$ 371,347,689	\$ 21,399,000	\$ 6,417,327	\$ 12,443,735	\$411,607,751
Interest income	549,441	129,520	2,839	—	681,800
Total Revenues	371,897,130	21,528,520	6,420,166	12,443,735	412,289,551
Expenditures:					
Endowment	297,846,299	16,832,701	5,835,218	11,681,636	332,195,854
Personnel	1,063,724	—	—	—	1,063,724
Practice change	1,183,769	478,082	—	—	1,661,851
Fund reservation	14,622,150	—	—	—	14,622,150
Total expenditures	314,715,942	17,310,783	5,835,218	11,681,636	349,543,579
Excess of revenues over					
Expenditures	57,181,188	4,217,737	584,948	762,099	62,745,972
Fund balance, beginning of					
Year	13,533,858	3,101,988	—	1,450,747	18,086,593
Fund Balance end of years	\$ 70,715,046	\$ 7,319,725	\$ 584,948	\$ 2,212,846	\$ 80,832,565

2007

	Receipt and Expenditure of Charity			
	General	Fine	Intended Fund	Total
Revenues:				
Donations	\$280,920,244	\$ 40,710,000	\$10,435,120	\$ 332,065,364
Interest income	354,972	139,967	--	494,939
Total Revenues	<u>281,275,216</u>	<u>40,849,967</u>	<u>10,435,120</u>	<u>332,560,303</u>
Expenditures:				
Endowment	265,004,451	37,579,025	9,289,106	311,872,582
Practice change	555,166	1,646,302	--	2,201,468
Fund reservation	10,149,140	--	--	10,149,140
Total expenditures	<u>275,708,757</u>	<u>39,225,327</u>	<u>9,289,106</u>	<u>324,223,190</u>
Excess of revenues over				
Expenditures	5,566,459	1,624,640	1,146,014	8,337,113
Fund balance, beginning of				
Year	<u>7,967,399</u>	<u>1,477,348</u>	<u>304,733</u>	<u>9,749,480</u>
Fund Balance end of years	<u>\$ 13,533,858</u>	<u>\$ 3,101,988</u>	<u>\$ 1,450,747</u>	<u>\$ 18,086,593</u>

The donors make donations to the charities by our organization. Our organization allocate the donations to different social service agencies depend on the donators' objectives. We also provide annual report for our programs. The purpose is listed below: Firstly, General charity contains allotted or non-allotted donation; Secondly, Fine including defendants' money contribution adjudicated by Miaoli, Taichung, Kaohsiung and other District Prosecutor office; Thirdly, Sichuan Earthquake relief fund is used for supporting the reconstruction operation; Fourthly, Intended Fund are designated by donators for specific purposes