

UNITED SERVICE ORGANIZATIONS, INC.

These financial statements reflect the accounts of USO World Headquarters, its international centers and centers at Fort Hood, Texas, and Hickam Air Force Base and Honolulu Airport in Hawaii. 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 auditor, Deloitte & Touche, LLP, as of and for the years ended Dec. 31, 2003 and 2002, will be made available on request.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2003 AND 2002

	2003	2002
ASSETS		
Cash and cash equivalents	\$10,697,839	\$ 11,948,702
Contributions receivable	2,722,001	5,700,755
Other receivables - net of allowance of \$437 in 2003 and \$3,287 in 2002	2,385,524	1,580,409
Prepaid expenses and other assets	337,310	228,654
Inventory	605,634	408,566
Investments	35,985,506	22,602,454
Note receivable	704,685	845,595
Funds held by USO Councils and others	91,945	95,281
Fixed assets - net	886,949	980,135
TOTAL ASSETS	\$54,417,393	\$44,390,551

LIABILITIES AND NET ASSETS**LIABILITIES:**

Accounts payable and accrued expenses

2003

2002

\$5,140,042

\$1,919,292

Severance payable

85,194

71,118

Total liabilities**5,225,236****1,990,410****NET ASSETS:**

Unrestricted:

Operating

8,636,435

8,063,687

Board designated:

Capital Reserve Fund

2,138,420

1,975,156

Spirit of Hope Endowment Fund

6,868,609

4,307,661

Total unrestricted**17,643,464****14,346,504**

Temporarily restricted:

Desert Storm Education Fund

1,400,354

1,339,345

Time Restriction

641,667

1,031,988

Operation USO Care Package

2,930,124

-

Spirit of Hope Endowment Fund

894,080

-

USO Councils and Others

91,945

95,281

Estate of Casey

25,000

25,000

Total temporarily restricted**5,983,170****2,491,614**

Permanently restricted:

Spirit of Hope Endowment Fund

25,565,523

25,562,023

Total net assets**49,192,157****42,400,141****TOTAL LIABILITIES AND NET ASSETS****\$54,417,393****\$44,390,551**

UNITED SERVICE ORGANIZATIONS, INC.

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003				2002			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Programs:								
USO center revenue	\$12,694,951	\$4,602,934	\$ -	\$17,297,885	\$11,361,916	\$ -	\$ -	\$11,361,916
In-kind program support	<u>66,173,002</u>	<u>10,854,807</u>	-	<u>77,027,809</u>	<u>27,279,876</u>	-	-	<u>27,279,876</u>
Entertainment sponsorships	3,542,666	-	-	3,542,666	3,667,333	-	-	3,667,333
	82,410,619	15,457,741	-	97,868,360	42,309,125	-	-	42,309,125
Fundraising:								
Public appeals	13,152,661	-	-	13,152,661	8,310,590	-	-	8,310,590
Special events	1,006,400	-	-	1,006,400	839,699	-	-	839,699
Annual fund	3,543,997	-	-	3,543,997	3,518,543	327,816	-	3,846,359
United Way, CFC and others	800,681	-	-	800,681	816,672	-	-	816,672
Spirit of Hope Endowment	509,367	1,003,657	3,500	1,516,524	1,511,385	-	2,962,695	4,474,080
	<u>19,013,106</u>	<u>1,003,657</u>	<u>3,500</u>	<u>20,020,263</u>	<u>14,966,889</u>	<u>327,816</u>	<u>2,962,695</u>	<u>18,287,400</u>
Investment income (loss)	2,790,921	198,316	-	2,989,237	(196,595)	(80,017)	-	(276,612)
Rental and other income	248,343	-	-	248,343	277,366	-	-	277,366
Net assets released from restrictions	<u>13,168,158</u>	<u>(13,168,158)</u>	<u>-</u>	<u>-</u>	<u>116,985</u>	<u>(116,985)</u>	<u>-</u>	<u>-</u>
Total support and revenue	117,631,147	3,491,556	3,500	121,126,203	57,503,770	130,814	2,962,695	60,597,279

(continued)

	2003				2002			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Programs:								
USO centers	17,173,102	-	-	17,173,102	13,201,729	-	-	13,201,729
In-kind program expenses	77,027,809	-	-	77,027,809	27,279,876	-	-	27,279,876
Entertainment	5,862,280	-	-	5,863,280	4,835,865	-	-	4,835,865
Special programs	131,562	-	-	131,562	114,921	-	-	114,921
Other programs	2,177,792	-	-	2,177,792	835,171	-	-	835,171
	<u>102,373,545</u>	-	-	<u>102,373,545</u>	<u>46,267,562</u>	-	-	<u>46,267,562</u>
Fundraising:								
Public appeals	7,406,809	-	-	7,406,809	6,010,297	-	-	6,010,297
Annual fund	569,785	-	-	569,785	311,013	-	-	311,013
United Way, CFC and others	154,312	-	-	154,312	151,843	-	-	151,843
Special events	566,708	-	-	566,708	422,230	-	-	422,230
Spirit of Hope Endowment	736,193	-	-	736,193	403,019	-	-	403,019
General fundraising	65,999	-	-	65,999	251,880	-	-	251,880
	<u>9,499,806</u>	-	-	<u>9,499,806</u>	<u>7,570,282</u>	-	-	<u>7,570,282</u>
Management and general:								
Budget and finance	735,169	-	-	735,169	625,174	-	-	625,174
Headquarters services department	116,803	-	-	116,803	107,046	-	-	107,046
Executive department	962,664	-	-	962,664	1,001,510	-	-	1,001,510
Human resources	585,874	-	-	585,874	476,998	-	-	476,998
Management information systems	60,326	-	-	60,326	37,982	-	-	37,982
	<u>2,460,836</u>	-	-	<u>2,460,836</u>	<u>2,248,710</u>	-	-	<u>2,248,710</u>
TOTAL EXPENSES	114,334,187	-	-	114,334,187	56,086,554	-	-	56,086,554
CHANGE IN NET ASSETS	3,296,960	3,491,556	3,500	6,792,016	1,417,216	130,814	2,962,695	4,510,725
NET ASSETS START OF YEAR	14,346,504	2,491,614	25,562,023	42,400,141	13,633,460	1,656,628	22,599,328	37,889,416
TRANSFER OF NET ASSETS					(704,172)	704,172		
NET ASSETS END OF YEAR	<u>\$17,643,464</u>	<u>\$5,983,170</u>	<u>\$25,565,523</u>	<u>\$49,192,157</u>	<u>\$14,346,504</u>	<u>\$2,491,614</u>	<u>\$25,562,023</u>	<u>\$24,400,141</u>