

UNITED HERITAGE[®]

Mutual Holding Company



2006

Annual Report



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United Heritage Financial Group
United Heritage Life Insurance Co.
United Heritage Property & Casualty Co.
United Heritage Financial Services, Inc.
Sublimity Insurance Co.



PRESIDENT'S MESSAGE



2006 was a year in which the United Heritage Financial Group (UHFG) of companies demonstrated their strength and stability. Heavy windstorms hit the Pacific Northwest in December 2006, and our Property and Casualty Companies paid policyholder claims quickly and efficiently. While exhibiting our strong claims paying ability on one hand, all of our operating companies had strong financial results on the other.

United Heritage Life Insurance Company had net income of \$2 million and was affirmed as A- Excellent (stable) by AM Best rating service. Sublimity Insurance Company had \$1.2 million of net income with its B++ Very Good (stable) rating affirmed. United Heritage Property and Casualty had \$1 million of net income with its B++ Very Good (stable) rating affirmed. United Heritage Financial Services (UHFS) had record net income of \$200,000. Combined net income after holding company expenses and inter-company eliminations was \$2.9 million.

During early 2007, we transferred our broker dealer business (UHFS) to Integrity Mutual Funds, Inc. through its broker dealer, Capital Financial Services, Inc. (CFS). United Heritage Financial Group retains just under 5% of the stock of this publicly traded company (IMFD.OB). We believe this will benefit our loyal customers and former registered representatives as they are able to take advantage of new and improved technologies offered by CFS. This transaction allows UHFG to concentrate on the business of insurance.

On behalf of the Board of Directors of United Heritage Mutual Holding Company, I express our thanks to our officers, employees, marketing directors, agents, and registered representatives for working together with us to bring you these results. It has truly been a team effort for us to be able to report on an excellent year for 2006 to our policyholders, members, clients and friends.

Sincerely,

Dennis L. Johnson
President & CEO

United Heritage Mutual Holding Company
United Heritage Financial Group
United Heritage Life Insurance Company

**UNITED HERITAGE
FINANCIAL GROUP, INC.**

As a holding company, the primary assets of United Heritage Financial Group at year end 2006 were the 100% owned common stock of United Heritage Life Insurance Company, United Heritage Property & Casualty Company, United Heritage Financial Services, Inc., and Sublimity Insurance Company. Combined Assets at year end were \$447 million. Combined Capital & Surplus totaled \$59 million.

**UNITEDHERITAGE
LIFE INSURANCE COMPANY**

United Heritage Life Insurance Company has been in business since 1934, offering a diverse line of products which include life insurance, preneed, final expense, fixed annuities, and group life and disability. We have recently been admitted into the states of Virginia and Tennessee. With our recent admissions we are currently licensed to do business in 32 states.

ASSETS	\$ 409,752,275
LIABILITIES	\$ 368,524,214
CAPITAL & SURPLUS	\$ 41,228,061
NET INCOME	\$ 2,000,281
PREMIUM & ANNUITY CONSIDERATIONS	\$ 52,232,433
LICENSED AGENTS	1,244

UHLIC Board of Directors

<i>Richard E. Hall</i>	<i>Boise, ID</i>
<i>Chairman of the Board</i>	
<i>Rodney L. Smith</i>	<i>Red Lodge, MT</i>
<i>Vice Chairman of the Board</i>	
<i>Dennis L. Johnson</i>	<i>Eagle, ID</i>
<i>President & CEO</i>	
<i>Ned E. Clark</i>	<i>Heppner, OR</i>
<i>Richard C. Waitley</i>	<i>Meridian, ID</i>
<i>Julie E. Prafke</i>	<i>Spokane, WA</i>
<i>Steven D. Hauschild</i>	<i>Spokane, WA</i>

UHLIC Senior V. P. & Chief Marketing Officer
Robert J. McCarvel

SUBLIMITY INSURANCE COMPANY

Sublimity Insurance Company, a United Heritage company since May 2003, provides home, auto, farm, farm truck and umbrella products to preferred consumers in Oregon and Idaho. During 2006 Sublimity was admitted into Utah and Washington.



*G. Richer Budke
President & CEO,
SIC*

Incorporating technologically advanced back-office capabilities with a knowledgeable, friendly and responsive team of insurance professionals, Sublimity has been able to achieve consistently positive results, and provide excellent service to policyholders and agents. We thank our employees and agency partners for helping us to maintain our string of underwriting successes in 2006.

ASSETS	\$15,706,523
LIABILITIES	\$ 7,433,639
CAPITAL & SURPLUS	\$ 8,272,884
NET INCOME	\$ 1,174,966
DIRECT WRITTEN PREMIUM	\$11,028,968
AGENCY LOCATIONS	153

Sublimity Board of Directors

James R. Hay *McMinnville, OR*
Chairman of the Board

Ray D. Edwards *Lake Oswego, OR*
Vice Chairman of the Board

G. Richer Budke *Salem, OR*
President & CEO

Harold I. Gilbert *Aumsville, OR*

Dennis L. Johnson *Eagle, ID*

Jerome C. Fischer, CPA *Salem, OR*

Sublimity Senior V. P. Marketing & Underwriting

Andrew L. Trower, CPCU



UNITEDHERITAGE PROPERTY & CASUALTY COMPANY

United Heritage Property & Casualty Company, formerly Idaho Mutual Insurance Company, began operations in 1908. In November of 2000, Idaho Mutual joined United Heritage as United Heritage Property & Casualty Company. In 2002 the company was admitted to Oregon, and entered Utah in 2004. In 2006, the company received certificates of authority from Arizona and Washington. Insurance is written on Homeowners, Farmowners, Home & Family, Landlord, and Business policies. Thanks to all of our employees and agents for another outstanding year. We showed substantial increases in Assets, Capital & Surplus, and Direct Written Premium. Our combined Ratio of 96.2% was our fourth year in a row below 100%.



*Brian E. Henman
President & CEO,
UHP&C*

ASSETS	\$ 18,777,091
LIABILITIES	\$ 9,449,464
CAPITAL & SURPLUS	\$ 9,327,627
NET INCOME	\$ 980,770
DIRECT WRITTEN PREMIUM	\$ 13,477,848
AGENCY LOCATIONS	163

UHP&C Board of Directors

<i>Glenn S. Osborn</i>	<i>Wilder, ID</i>
<i>Chairman of the Board</i>	
<i>Richard H. Chipman (deceased 2-21-07)</i>	<i>Boise, ID</i>
<i>Vice Chairman of the Board</i>	
<i>Brian E. Henman</i>	<i>Meridian, ID</i>
<i>President & CEO</i>	
<i>George R. Banta, Jr.</i>	<i>Caldwell, ID</i>
<i>James R. Nall, Jr.</i>	<i>Meridian, ID</i>
<i>Jack J. Winderl</i>	<i>Boise, ID</i>

UHP&C Senior V. P. Marketing

Sharon L. Locke

UNITEDHERITAGE FINANCIAL SERVICES, INC.

United Heritage Financial Services, Inc. was founded in 1994, as a NASD general securities broker-dealer offering a full range of investment products in 29 states. On February 2, 2007, UHFG and the company signed a definitive agreement with Integrity Mutual Funds Inc. whereby Integrity would acquire certain assets of the company and those assets would be transferred to Capital Financial Services, a NASD member broker-dealer and wholly owned subsidiary of Integrity.



*Jack J. Winderl
President & CEO,
UHFS*

After the business transition is completed and various regulatory approvals obtained, UHFS will be merged into United Heritage Financial Group and cease to exist as a stand-alone company. 2006 was a record year of profitability for UHFS but our desire to focus on our core insurance business led to this decision.

ASSETS	\$ 1,610,154
LIABILITIES	\$ 291,294
CAPITAL & SURPLUS	\$ 1,318,860
NET INCOME	\$ 217,800
GROSS DEALER COMMISSIONS	\$ 4,437,673
LICENSED REPRESENTATIVES	131

UHFS Board of Directors

Richard E. Hall *Boise, ID*

Chairman of the Board

Rodney L. Smith *Red Lodge, MT*

Vice Chairman of the Board

Jack J. Winderl *Boise, ID*

President & CEO

Dennis L. Johnson *Eagle, ID*

Kent M. Delana *Boise, ID*

UHFS Marketing Director

John J. Bellamy

Member NASD/SIPC

**UNITED HERITAGE
MUTUAL HOLDING COMPANY
ANNUAL MEETING NOTICE**

The annual meeting of the members of United Heritage Mutual Holding Company will be held on May 21, 2007 (the third Monday in May) at the Home Office, 707 E. United Heritage Court, Meridian, Idaho, at 10:00 a.m. local time. Members of United Heritage Mutual Holding Company are persons who own a policy issued by either United Heritage Life Insurance Company or Sublimity Insurance Company.

2007 ANNUAL MEETING AGENDA

Comments

*President and CEO, Dennis L. Johnson
Chairman of the Board of Directors, Richard E. Hall
Sublimity President and CEO, G. Richer Budke
UHP&C President & CEO, Brian E. Henman
UHFS President and CEO, Jack J. Winderl*

**Approval of the Minutes
of the 2006 Annual Meeting**

Election of Directors

*The Directors standing for re-election are
Rodney L. Smith (4 year term),
Richard C. Waitley (4 year term),
Richard E. Hall (1 year term),
and Steven D. Hauschild (1 year term).*

PROXIES

If you have returned a signed proxy form to the Company, the Board of Directors intends to direct the Chairman of the Board to vote your proxy FOR the re-election of Rodney L. Smith, Richard C. Waitley, Richard E. Hall, and Steven D. Hauschild to the Board of Directors at the Annual Meeting. You may revoke your proxy at any time by sending a letter to the Company stating that you would like to revoke your proxy. We must receive your letter by May 16, 2007. Please include your United Heritage Life or Sublimity Insurance Company policy number in your letter and sign the letter. Further, if you have not sent in a proxy form and you would like to, please contact the United Heritage Client Services Department at 1-800-657-6351. Finally, if you have not sent in a proxy form and you would like to cast your vote FOR or AGAINST the election of the Directors standing for re-election, you may send a letter to the Company indicating your vote. We must receive your letter by May 16, 2007. Please indicate your policy number in your letter and sign it.

**UNITEDHERITAGEMUTUAL
HOLDING COMPANY/FINANCIAL GROUP
BOARD OF DIRECTORS**



Richard E. Hall, Chairman of the Board - Resides in Boise, ID. Mr. Hall, an attorney, is Past President and a Founding Partner of the Law firm of Hall, Farley, Oberrecht & Blanton in Boise, ID. He earned his BA from the University of Idaho in 1966 and a JD from Harvard Law School in 1969. He has served on the United Heritage Life Insurance Company Board of Directors since 1990 and has been Chairman since May 2000. Committees: Executive, Compensation



Dennis L. Johnson, President and CEO - Resides in Eagle, ID. Mr. Johnson began his career at United Heritage Life Insurance in 1983 as General Counsel. He was Executive VP and COO and became a member of the Board in 1998. He became President and CEO in 1999. Mr. Johnson earned his BA from Northwest Nazarene University and his JD from the University of Idaho, College of Law. He is Chairman of the Boise Valley Economic Partnership for 2007. Committees: Executive, Marketing, Compensation



Richard C. Waitley - Resides in Meridian, ID. Mr. Waitley has been President of Association Management Group for 29 years, which handles association management and lobbying for Idaho and northwest agricultural groups. Mr. Waitley is a University of Idaho graduate with a BS in Agriculture Education. He has served on the United Heritage Life Insurance Company Board of Directors since 1995. Committees: Marketing (Chair), Compensation



Steven D. Hauschild - Resides in Spokane, WA. Mr. Hauschild has been in the banking industry since 1980. He has served in management positions for major financial institutions as a prior approval officer, regional loan production senior manager, and senior manager for credit review/internal controls. He received his BBA from Gonzaga University, Spokane, WA and MBA from Washington State University, Pullman, WA. He has served on the United Heritage Life Insurance Company Board of Directors since 2000. Committees: Audit, Investment, Marketing

**UNITEDHERITAGEMUTUAL
HOLDING COMPANY/FINANCIAL GROUP
BOARD OF DIRECTORS**



Rodney L. Smith, Vice Chairman of the Board - Resides in Red Lodge, MT. Mr. Smith was President of First Interstate Bank in Red Lodge, MT. He had been in banking since 1964 and retired on December 31st, 2004. Mr. Smith has a degree in Computer Programming. He has served on the United Heritage Life Insurance Company Board of Directors since 1997. Committees: Executive, Audit



Ned E. Clark - Resides in Heppner, OR. Mr. Clark is the President and majority shareholder of Horseshoe Hereford Ranch, Inc. and is Director of the Board for Bank of Eastern Oregon. He attended Oregon State University and Linfield College. He has served on the United Heritage Life Insurance Company Board of Directors since 1991. Committees: Audit (Chair), Marketing

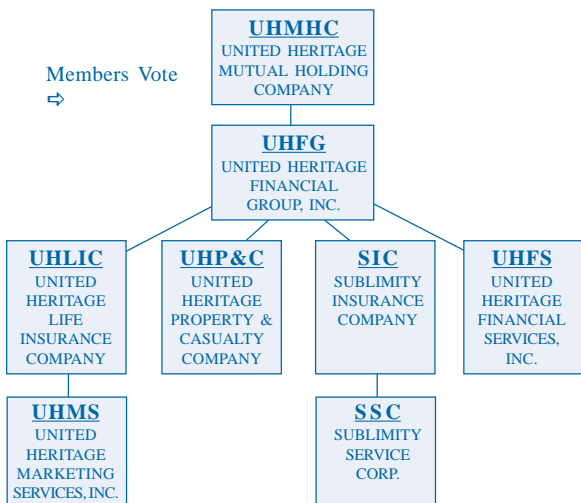


Julie E. Prafke - Resides in Spokane, WA. Ms. Prafke is the Chairman of the Board of Humanix Staffing Services. She received her AA from North Idaho College, BA from Eastern Washington University and her MBA from City University in Spokane, WA. She is also the Immediate Past Chairperson of the Better Business Bureau, serving Eastern Washington, North Idaho, and Montana. She has been on the United Heritage Life Insurance Company Board of Directors since 1995. Committees: Compensation (Chair), Marketing



James R. Hay - Resides in McMinnville, OR. Mr. Hay graduated from Oregon State University in 1964 with a BS in Agriculture. He earned an MS in Agriculture Science in 1966 also at Oregon State University. From 1966 to 1976 he was employed as an "Extension Agent" for Oregon State University. He worked at Key Bank from 1976-1999. He was VP and Manager of their Oregon Agriculture Department when he retired. He has been a Director of Seven H Enterprises, a family and land holding company since 1978. He joined the Sublimity Insurance Company Board of Directors in 1982 and was elected Chairman in October, 2006. Committees: Audit, Compensation

MUTUAL HOLDING COMPANY ORGANIZATIONAL STRUCTURE



United Heritage Life Insurance Co. Marketing Officers

Robert J. McCarvel
Senior V. P. & Chief Marketing Officer
Meridian, ID

John J. Bellamy, AAPA
Vice President Marketing - Annuities
Meridian, ID

R. Shane Nelson
Vice President - Group
Boise, ID

Patricia W. Klingberg, CPC, CSA
Vice President - PreNeed
Meridian, ID

Regional Directors

James R. Barlow - Gilbert, AZ
Robert A. Hanson - PreNeed - Stanchfield, MN
Keith A. Kimball - Buckley, WA
Calvin C. Mickelson - PreNeed - Grove, OK