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**BETTER WORLD FUND, INC.**  
**Financial Statements and Supplementary**  
**Information**  
**December 31, 2011 and 2010**

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**BETTER WORLD FUND, INC.**  
**Index**

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## Report of Independent Auditors

To the Board of Directors of  
Better World Fund, Inc.

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets, and cash flows present fairly, in all material respects, the financial position of Better World Fund, Inc. (the "Fund"), at December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Fund. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

June 29, 2012

**BETTER WORLD FUND, INC.**  
**Statements of Financial Position**  
**As of December 31, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 29,032,725	\$ 21,792,381
Contributions receivable, net	527,000	1,056,269
Prepaid expenses	119,733	48,030
Property and equipment, net	<u>1,560</u>	<u>15,589</u>
Total assets	<u>\$ 29,681,018</u>	<u>\$ 22,912,269</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 426,280	\$ 429,866
Due to an affiliate, net	2,228,024	1,202,162
Unexpended grants, net	<u>235,362</u>	<u>201,362</u>
Total liabilities	<u>2,889,666</u>	<u>1,833,390</u>
<b>Net assets</b>		
Unrestricted net assets	20,427,673	14,930,759
Temporarily restricted net assets	<u>6,363,679</u>	<u>6,148,120</u>
Total net assets	<u>26,791,352</u>	<u>21,078,879</u>
Total liabilities and net assets	<u>\$ 29,681,018</u>	<u>\$ 22,912,269</u>

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

**BETTER WORLD FUND, INC.**  
**Statements of Activities and Changes in Net Assets**  
**For the years ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Change in unrestricted net assets</b>		
Revenues and other changes:		
Contributions from a related party	\$ 13,718,400	\$ 5,092,862
Interest and dividends	9,115	15,353
Contributions from third parties	1,192,504	7,705
Grant recoveries and adjustments	59,461	-
Other	997,641	-
Total unrestricted revenues and other changes	<u>15,977,121</u>	<u>5,115,920</u>
Net assets released from restriction	<u>4,431,604</u>	<u>6,977,256</u>
Total unrestricted revenues and other support	<u>20,408,725</u>	<u>12,093,176</u>
Expenses:		
Program services	12,759,861	10,847,394
General and administrative	716,892	663,926
Fundraising	1,435,058	982,386
Total expenses	<u>14,911,811</u>	<u>12,493,706</u>
Change in unrestricted net assets	5,496,914	(400,530)
Unrestricted net assets, beginning of year	<u>14,930,759</u>	<u>15,331,289</u>
Unrestricted net assets, end of year	<u>20,427,673</u>	<u>14,930,759</u>
<b>Change in temporarily restricted net assets</b>		
Contributions from related parties	605,000	525,000
Contributions from third parties	3,872,085	4,809,953
Interest and dividends	-	91
Grant recoveries and adjustments	172,178	-
Other adjustments	(2,100)	-
Net assets released from restriction	<u>(4,431,604)</u>	<u>(6,977,256)</u>
Change in temporarily restricted net assets	215,559	(1,642,212)
Temporarily restricted net assets, beginning of year	<u>6,148,120</u>	<u>7,790,332</u>
Temporarily restricted net assets, end of year	<u>6,363,679</u>	<u>6,148,120</u>
<b>Change in net assets</b>	5,712,473	(2,042,742)
<b>Net assets, beginning of year</b>	<u>21,078,879</u>	<u>23,121,621</u>
<b>Net assets, end of year</b>	<u>\$ 26,791,352</u>	<u>\$ 21,078,879</u>

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

**BETTER WORLD FUND, INC.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,712,473	\$ (2,042,742)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,029	4,511
Accretion on contributions receivable	(19,231)	-
Discount on contributions receivable	-	19,231
Changes in assets and liabilities:		
Decrease (increase) in contributions receivables	548,500	(925,500)
Increase in prepaid expenses	(71,703)	(48,030)
(Decrease) increase in accounts payable and accrued expenses	(3,586)	40,195
Increase (decrease) in unexpended grants	34,000	(3,490,300)
Increase (decrease) in due to an affiliate	1,025,862	(245,990)
Net cash provided by (used in) operating activities	<u>7,240,344</u>	<u>(6,688,625)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	7,240,344	(6,688,625)
<b>Cash and cash equivalents, beginning of year</b>	<u>21,792,381</u>	<u>28,481,006</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 29,032,725</u>	<u>\$ 21,792,381</u>

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

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2011 and 2010**

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**1. Description of the Organization**

In March 1998, R.E. (Ted) Turner established Better World Fund, Inc. ("BWF" or "Fund") and its sister organization, United Nations Foundation, Inc. ("UNF" or "Foundation"), to support the efforts of the United Nations ("UN"). BWF was formed to support charitable causes through raising funds from the general public to enable it to carry on a discretionary grant-making program and educating the public regarding the UN and its work in the areas of: 1) women and population, 2) the environment, 3) children's health, and 4) peace, security and human rights.

**2. Summary of Significant Accounting Policies**

**Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Classification of net assets**

BWF's net assets have been grouped into the following two classes:

*Unrestricted Net Assets* - Unrestricted net assets are those whose use by BWF is not subject to any donor-imposed stipulations. Unrestricted net assets generally result from unrestricted contributions, unrealized and realized gains and losses, and interest from investing unrestricted net assets in income-producing assets, less expense incurred in making grants, raising contributions, and performing administrative functions. Board designated voluntary restrictions, such as voluntarily earmarking assets for a particular purpose, are included among the unrestricted net assets of BWF. The board is free to designate certain portions of its funds for certain activities; however, these are included among unrestricted net assets since they are not bound by restrictions imposed by a donor.

*Temporarily Restricted Net Assets* - Temporarily restricted net assets are those whose use by BWF is subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the BWF pursuant to those stipulations. When these restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

**Recently issued and adopted accounting standard**

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-06, "*Improving Disclosures about Fair Value Measurements*". This amends ASC Topic 820 to require additional disclosure. The guidance requires entities to disclose transfers of assets in and out of Level 1 and 2 of the fair value hierarchy, and the reasons for those transfers. In addition, the guidance requires the separate presentation of realized, unrealized, purchases and sale in the Level 3 Asset reconciliation. Adoption of this update did not have a material impact on the Foundation's financial statements.

**Contributions**

BWF recognizes contributions and unconditional promises to give as revenue in the period received or promised, whichever is earlier. All contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions are reported as temporarily restricted if

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2011 and 2010**

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they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a purpose restriction is accomplished or a stipulated time restriction ends. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Conditional promises to give are recognized when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. If the possibility that the condition will not be met is deemed possible or probable by management, the BWF does not recognize the conditional promise to give.

Contribution in kind is recorded based on estimated fair value at the date of contribution. There were no contribution in kind for the years ended December 31, 2011 and 2010.

Unconditional promises to give involve fair value measurement only upon initial recognition. Unconditional promises to give, recorded in 2008 and prior years which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

Unconditional promises to give, recorded in and after 2009 which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organizations. This approach is consistent with the guidance provided under Accounting Standards Codification ("ASC") Topic 820. Discount rates are based on market participants. Contributions receivable for 2011 are to be realized within one year and are not discounted. Carrying value approximates market value. The discount rate for 2010 was 4.0%.

#### **Grants**

The amount for which BWF is obligated is recorded when the project has been approved by its Board of Directors. Grants contingent upon third party funding or other conditions are recognized as the conditions are met.

Grants payable involve fair value measurement only upon initial recognition. Grants payable, recorded in 2007 and prior years which are expected to be paid in future years, are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

Grants payable, recorded in and after 2008 which are expected to be paid in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to other similar non-profit organizations. This approach is consistent with the guidance provided under Accounting Standards Codification ("ASC") Topic 820. There were no discounted grants payable in 2011 or 2010. Carrying value approximates market value.

At the end of the approved grant term and upon completion of BWF's internal grant modification and closing process, grant recoveries and adjustments are recorded in the period in which they are

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2011 and 2010**

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closed or modified as reflected on the Statements of Activities. As of December 31, 2011 and 2010, grant recoveries and adjustments were recorded related to closed grants with pending refunds in the amounts of \$231,639 and \$0, respectively.

**Cash and cash equivalents**

Cash and cash equivalents include all highly liquid investments purchased with original maturities of three months or less. Cash equivalents consist of funds held in a money market account which are available for immediate withdrawal without penalty.

**Property and equipment**

Property and equipment are recorded at cost and depreciated using the half-year convention over the estimated useful lives ranging from two to eight years or the life of the lease, whichever is shorter. When assets are sold or retired, the related cost and accumulated depreciation are removed from the account. Any gain or loss resulting from disposition is credited or charged to operations. Expenditures for repairs and maintenance are charged to operations as incurred.

**Investments**

Investments are recorded at fair value. There were no investments held as of December 31, 2011 and 2010, respectively. Donated gifts of securities are recorded based on estimated fair value at the date the donation is received.

**Income Taxes**

BWF has received a ruling from the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code as a public charity, other than unrelated business income. Since BWF has no significant unrelated business income, no provision for income tax has been recorded.

On January 1, 2009, BWF adopted the provisions of ASC Topic 740-10-25, "*Income Taxes Recognition*" (ASC Topic 740-10-25"). ASC Topic 740-10-25 requires that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC Topic 740-10-25 had no impact on BWF's financial statements. BWF does not believe its financial statements include any uncertain tax positions.

**Concentration of credit risk**

Financial instruments, which potentially subject BWF to a concentration of credit risk, consist of demand deposits placed with one financial institution. BWF places its cash and cash equivalents with high credit quality financial institutions that are federally insured under the Federal Depository Insurance Corporation Act (FDICA). At December 31, 2011 and 2010, the aggregate balances in excess of the insurance limits were approximately \$28.8 million and \$21.5 million, respectively, and therefore bear some risk since they are not collateralized. BWF has not experienced any losses on its cash and cash equivalents to date, as they relate to FDICA insurance limits and do not expect such losses in the future.

**Use of estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2011 and 2010**

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expenses, including donated services and functional allocation of expenses, and the carrying value of certain investments, grants payable and contributions receivable, during the reporting period. Actual results could differ from those estimates.

**3. Fair Value Measurements**

BWF adopted the provisions of ASC Topic 820, "*Fair Value Measurements and Disclosures*" (ASC Topic 820), effective January 1, 2008. ASC Topic 820 requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework based on the observability of inputs used for measuring fair value and expands disclosure about fair market value measurements. Under ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement dates.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets measured at fair value on a recurring basis:

	2011	2010
Cash and cash equivalents		
Items reported at fair value	\$ 26,614,122	\$ 20,553,203
Items not subject to fair value reporting	2,418,603	1,239,178
Total	<u>\$ 29,032,725</u>	<u>\$ 21,792,381</u>

Items not subject to fair value reporting include cash deposits.

The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above:

*Cash equivalents* – Cash equivalents include cash deposits in investment funds and funds held in money market accounts which are actively traded. These are priced using independent market prices in the primary trading market and are classified as Level 1 based on the availability of quotes for identical assets.

On a recurring basis, BWF is required to measure its investment holdings at fair value. As of December 31, 2011 and 2010, BWF did not have any investment holdings.

**Fair Value Option**

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2011 and 2010**

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In February 2007, the FASB updated the GAAP with ASC Topic 825-10-25 "The Fair Value Option for Financial Assets and Financial Liabilities". The fair value option permits entities to choose to measure eligible items at fair value at specified election dates, with subsequent unrealized gains and losses reported in the entity's statement of activities. BWF adopted this updated standard effective January 1, 2008. BWF assessed the fair value options made available under the standard and elected not to apply the fair value option to any financial instruments that were not already recognized at fair value.

**4. Contributions Receivable**

Contributions receivable as at December 31, are as follows:

	2011	2010
Less than one year	\$ 527,000	\$ 575,500
One year to five years	-	500,000
	527,000	1,075,500
Less: Discount	-	(19,231)
Contributions receivable, net	<u>\$ 527,000</u>	<u>\$ 1,056,269</u>

Net contributions receivable as of December 31, 2011 consisted of \$500,000, \$25,000 and \$2,000 from three donors. Net contributions receivable as of December 31, 2010 consisted of \$980,769 and \$75,500 from two donors.

Contributions receivable recorded in 2011 and 2010 which are expected to be received in future years are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organizations. Discount rates are based on market participants. Contributions receivable for 2011 are to be realized within one year and are not discounted. Carrying value approximates market value. The discount rate for 2010 was 4.0%.

**5. Property and Equipment**

Property and equipment consisted of the following at December 31:

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2011 and 2010**

	2011	2010
Leasehold improvements	\$ -	\$ 419
Equipment and software	56,470	71,178
Furniture and fixtures	6,729	7,871
	<u>63,199</u>	<u>79,468</u>
Less: Accumulated depreciation	(61,639)	(63,879)
Total property and equipment, net	<u>\$ 1,560</u>	<u>\$ 15,589</u>

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31 have been restricted by donors for the following purposes:

	2011	2010
Adolescent Girls Nike Foundation Partnership	\$ -	\$ 1,014,830
Elder project	4,929,105	4,372,395
Environment	351,237	310,000
UNA-USA	187,723	240,371
Women & Population	883,358	203,668
Other	12,256	6,856
	<u>\$ 6,363,679</u>	<u>\$ 6,148,120</u>

**7. Release of Temporarily Restricted Net Assets**

Temporarily restricted net assets were released from restriction for the following purposes for the years ended December 31:

	2011	2010
Adolescent Girls Nike Foundation Partnership	\$ -	\$ 1,076,536
Elder project	1,212,521	3,346,800
Environment	1,972,663	1,395,520
Global Water Challenge	-	217,327
UNA-USA	494,502	442,572
Women & Population	642,318	259,751
Other	109,600	238,750
	<u>\$ 4,431,604</u>	<u>\$ 6,977,256</u>

**8. Related Parties**

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2011 and 2010**

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**Contributions**

Gift income in the amount of \$13,718,400 and \$5,092,862 in 2011 and 2010, respectively, was received through the donation of cash from Ted Turner, Chairman of the BWF Board of Directors.

During 2011 and 2010, BWF also recognized contribution revenue from affiliated organizations of \$605,000 and \$525,000, respectively.

**Grants**

In 2011 and 2010, BWF approved grants totaling \$52,251 and \$480,442 to affiliated organizations. At December 31, 2011 and 2010, \$10,000 and \$0, respectively, of unexpended grants remained payable to affiliated organizations.

**Cost-sharing agreement**

UNF and BWF entered into a cost-sharing agreement in 1998 whereby operating costs will be shared based upon the relative portions of annual grant making, employee time incurred, or labor costs, depending on the type of expenditure. During 2011 and 2010, \$1,466,046 and \$1,286,593, respectively, of such cost was incurred and allocated by UNF to BWF and was recorded by BWF as "Due to an Affiliate." The allocation ratio of the operating expenses between UNF and BWF were 87%: 13% and 87%: 13% for the years ended December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, \$2,228,024 (consisting of \$7,030,130 of payables and \$4,802,106 of receivables) and \$1,202,162 (consisting of \$2,219,225 of payables and \$1,017,063 of receivables), respectively, were payable to UNF and included in "Due to an affiliate" in the Statements of Financial Position.

**9. New Strategic Alliance**

On November 18, 2010, the Fund entered into a strategic alliance with the United Nations Association of the United States of America. The purpose of the alliance is to inform, inspire and mobilize Americans to support the principles and vital work of the United Nations and to strengthen the United Nations system; to encourage U.S. leadership to work constructively through the United Nations and encourage everyone to achieve the goals of the United Nations Charter; and to educate the American public about the invaluable work of the United Nations, raise funds and carry out local activities related to the United Nations.

**10. Subsequent Events**

BWF has performed an evaluation of subsequent events through June 29, 2012, which is the date the financial statements were widely distributed, noting no additional events which would affect the financial statements as of December 31, 2011.

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## **Supplemental Schedule**

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**BETTER WORLD FUND, INC.**  
**Schedule of Functional Expenses**  
**For the years ended December 31, 2011 and 2010**

	Program Services						Supporting Services					
	Advocacy	Environ- -ment	Peace, Security & Human Rights	UN Strength- -ening	Women & Population	Total Program Services	General & Admin- -istrative	Fund -raising	Total Supporting Services	2011 Total Expenses	2010 Total Expenses	
Personnel Expenses	\$ 2,826,895	\$ 559,573	\$ 257,063	\$ 89,784	\$ 223,932	\$ 3,957,247	\$ 471,190	\$ 666,613	\$ 1,137,803	\$ 5,095,050	\$ 3,499,835	
Professional Fees	2,121,674	2,093,037	7,469	107,206	508,609	4,837,995	114,594	411,844	526,438	5,364,433	5,342,065	
Occupancy	309,651	-	180	63	80	309,974	19,284	1,044	20,328	330,302	364,545	
Information Technology	6,567	1,643	3,435	1,200	15,769	28,614	11,823	3,784	15,607	44,221	28,939	
Communications	68,969	21,958	6,097	2,130	2,704	101,858	7,244	21,176	28,420	130,278	45,328	
Postage & Delivery	30,082	104	2,131	744	1,102	34,163	3,735	8,657	12,392	46,555	19,396	
Printing & Reproduction	103,996	7,585	1,770	618	785	114,754	2,879	28,140	31,019	145,773	59,081	
Insurance	1,307	-	166	58	73	1,604	149	123	272	1,876	3,435	
Travel	238,326	35,345	17,375	6,069	14,975	312,090	13,429	86,064	99,493	411,583	380,994	
Other Operating	609,808	40,547	29,350	10,251	17,108	707,064	72,565	207,613	280,178	987,242	278,610	
Grant Expense	170,000	10,750	1,212,520	423,501	537,727	2,354,498	-	-	-	2,354,498	2,471,478	
Total Expenses	\$ 6,487,275	\$ 2,770,542	\$ 1,537,556	\$ 641,624	\$ 1,322,864	\$ 12,759,861	\$ 716,892	\$ 1,435,058	\$ 2,151,950	\$ 14,911,811	\$ 12,493,706	