

UNITED NATIONS FOUNDATION, INC.
Financial Statements
December 31, 2001 and 2000

UNITED NATIONS FOUNDATION, INC.

Index

	Page(s)
Report of Independent Accountants	1
Statements of Financial Position at December 31, 2001 and 2000	2
Statements of Activities and Changes in Net Assets (Deficit) for the years ended December 31, 2001 and 2000	3
Statements of Cash Flows for the years ended December 31, 2001 and 2000	4
Notes to the Financial Statements	5 - 10

Report of Independent Accountants

To the Board of Directors of
United Nations Foundation, Inc.

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the financial position of United Nations Foundation, Inc. (the "Foundation"), at December 31, 2001 and 2000, 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 Foundation'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 which 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.

As described in Note 11, the December 31, 2000 financial statements have been restated to properly reflect temporarily and unrestricted net assets.

PricewaterhouseCoopers LLP

June 20, 2002

UNITED NATIONS FOUNDATION, INC.
Statements of Financial Position
December 31, 2001 and 2000

	2001	2000
Assets		
Cash and cash equivalents	\$ 46,521,915	\$ 55,106,960
Accounts receivable:		
Due from affiliate	2,810,482	1,427,364
Other	93,796	51,027
Contribution receivable, net	7,934,900	808,255
Prepaid expenses and deposits	96,193	114,701
Property and equipment, net	<u>553,557</u>	<u>516,678</u>
Total assets	<u>\$ 58,010,843</u>	<u>\$ 58,024,985</u>
Liabilities and Net Assets (Deficit)		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 560,073	\$ 386,970
Unexpended grants, net	<u>75,571,227</u>	<u>75,570,177</u>
Total liabilities	<u>76,131,300</u>	<u>75,957,147</u>
<i>Net assets (deficit)</i>		
Unrestricted net assets (deficit)	(25,352,653)	(18,815,707)
Temporarily restricted net assets	<u>7,232,196</u>	<u>883,545</u>
Total net assets (deficit)	<u>(18,120,457)</u>	<u>(17,932,162)</u>
Total liabilities and net assets (deficit)	<u>\$ 58,010,843</u>	<u>\$ 58,024,985</u>

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

UNITED NATIONS FOUNDATION, INC.
Statements of Activities and Changes in Net Assets (Deficit)
For the Years Ended December 31, 2001 and 2000

	2001	2000
Change in unrestricted net assets		
Revenues:		
Contributions from related party	\$ 74,809,403	\$ 45,760,985
Other contributions	119,827	197,171
Interest and dividends	1,977,925	3,475,184
Other	65,348	61,288
Total unrestricted revenues	<u>76,972,503</u>	<u>49,494,628</u>
Net assets released from restriction	<u>15,207,008</u>	<u>25,398,028</u>
Total unrestricted revenues and other support	<u>92,179,511</u>	<u>74,892,656</u>
Expenses:		
Program services	94,853,699	89,094,920
General and administrative	1,911,511	1,701,209
Fund raising	1,951,247	731,070
Total expenses	<u>98,716,457</u>	<u>91,527,199</u>
Change in unrestricted net assets	(6,536,946)	(16,634,543)
Unrestricted net assets, beginning of year	<u>(18,815,707)</u>	<u>(2,181,164)</u>
Unrestricted net assets, end of year	<u>(25,352,653)</u>	<u>(18,815,707)</u>
Change in temporarily restricted net assets		
Contributions from third parties	22,263,914	1,690,953
Provision for doubtful accounts	(708,255)	-
Net assets released from restriction	<u>(15,207,008)</u>	<u>(25,398,028)</u>
Change in temporarily restricted net assets	6,348,651	(23,707,075)
Temporarily restricted net assets, beginning of year	<u>883,545</u>	<u>24,590,620</u>
Temporarily restricted net assets, end of year	<u>7,232,196</u>	<u>883,545</u>
Change in net assets	(188,295)	(40,341,618)
Net assets (deficit), beginning of year	<u>(17,932,162)</u>	<u>22,409,456</u>
Net assets (deficit), end of year	<u>\$ (18,120,457)</u>	<u>\$ (17,932,162)</u>

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

UNITED NATIONS FOUNDATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2001 and 2000

	2001	2000
Cash flows from operating activities		
Change in net assets	\$ (188,295)	\$ (40,341,618)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	144,366	260,125
Donated securities	(74,809,403)	(45,760,985)
Provision for doubtful accounts	708,255	-
Changes in assets and liabilities:		
Increase in accounts receivable due from affiliate	(1,383,118)	(712,264)
(Increase) decrease in accounts receivable other	(42,769)	4,376
Increase in contributions receivable, net	(7,834,900)	(42,635)
Decrease (increase) in prepaid expenses and deposits	18,508	(37,648)
Increase in accounts payable and accrued expenses	173,103	212,871
Increase (decrease) in unexpended grants, net	1,050	(27,273,379)
Net cash used in operating activities	<u>(83,213,203)</u>	<u>(113,691,157)</u>
Cash flows from investing activities		
Proceeds from sale of securities	74,809,403	45,760,985
Purchases of property and equipment	<u>(181,245)</u>	<u>(268,911)</u>
Net cash provided by investing activities	<u>74,628,158</u>	<u>45,492,074</u>
Net decrease in cash and cash equivalents	(8,585,045)	(68,199,083)
Cash and cash equivalents, beginning of year	<u>55,106,960</u>	<u>123,306,043</u>
Cash and cash equivalents, end of year	<u>\$ 46,521,915</u>	<u>\$ 55,106,960</u>

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

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2001 and 2000

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established the United Nations Foundation, Inc. ("UNF") and its sister organization, Better World Fund, Inc. ("BWF"), to support the efforts of the United Nations ("UN"). UNF's mission is to promote a more peaceful, prosperous, and just world – through support of the United Nations and its Charter, with special emphasis on the UN's work on behalf of economic, social, environmental and humanitarian causes. UNF focuses on four main programs: 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 using the accrual basis of accounting.

Contributions

UNF 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 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, temporary restricted net assets are reclassified to unrestricted net assets in the statement of activities and changes in net assets (deficit) 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.

Unconditional promises to give expected to be received within one year are recorded at net realizable value. Unconditional promises to give that 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.

Grants

UNF makes grants in support of four program priorities established by the board of directors. The amount for which UNF is obligated is recorded when the project has been unconditionally approved. Grants contingent upon third party funding or other conditions are recognized as the conditions are met.

Grants payable within one year are recorded at net realizable value. Grants payable 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.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2001 and 2000

Donated services

UNF recognizes donations of services received if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These donated services are recorded at estimated fair value on the date the service is provided. UNF recorded contributed services that are included in other contributions on the statement of activities and changes in net assets (deficit).

Cash and cash equivalents

For purposes of the statement of cash flows, 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 on a straight-line basis over the estimated useful lives ranging from three to seven years or the life of the lease.

Investments – securities

Investments are recorded at fair value based on quoted market prices. There were no investments held as of December 31, 2001 and 2000, respectively.

Donated gifts of securities are recorded based on estimated fair value at the date the donation is received.

Income Taxes

UNF 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.

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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts included in the 2000 financial statements have been reclassified to conform to the 2001 presentation.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2001 and 2000

3. Contributions Receivable

As of December 31, the expected future cash receipts from contributions receivable are as follows:

	<u>2001</u>	<u>2000</u>
Less than one year	\$ 4,949,266	\$ 300,000
One year to five years	3,678,000	500,000
Over five years	400,000	200,000
	<u>9,027,266</u>	<u>1,000,000</u>
Less: Discount	(384,111)	(191,745)
Net present value of contributions receivable	<u>8,643,155</u>	<u>808,255</u>
Less: Allowance for doubtful accounts	(708,255)	-
Total contributions receivable, net	<u>\$ 7,934,900</u>	<u>\$ 808,255</u>

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2001</u>	<u>2000</u>
Land	\$ 138,175	\$ 138,175
Leasehold improvements	177,033	124,731
Equipment and software	773,651	645,508
Furniture and fixtures	84,651	83,851
	<u>1,173,510</u>	<u>992,265</u>
Less: Accumulated depreciation	(619,953)	(475,587)
Total property and equipment, net	<u>\$ 553,557</u>	<u>\$ 516,678</u>

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2001 and 2000

5. Unexpended Grants

Unexpended grants at December 31 are due over a period of several years and are payable as follows:

	<u>2001</u>	<u>2000</u>
Less than one year	\$ 56,192,584	\$ 46,875,459
One year to five years	<u>20,725,324</u>	<u>29,638,877</u>
	76,917,908	76,514,336
Less: Discount	<u>(1,346,681)</u>	<u>(944,159)</u>
Total unexpended grants, net	<u>\$ 75,571,227</u>	<u>\$ 75,570,177</u>

6. Leases

UNF leases office space under operating leases expiring at various dates through 2009. The office leases are subject to annual escalation amounts as set forth in the lease agreements. Rent expense of \$717,344 and \$571,799 was recognized for the years ended December 31, 2001 and 2000, on a straight-line basis. The future minimum lease payments of these leases are as follows:

Year ending December 31,	Amount
2002	\$ 587,201
2003	240,339
2004	114,444
2005	123,364
2006	127,235
Thereafter	<u>285,577</u>
	<u>\$ 1,478,160</u>

Current and future rental payments are subject to a cost-sharing agreement with BWF, which is further described in Note 9.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2001 and 2000

7. Temporarily Restricted Net Assets

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

	2001	2000
Women and Population	\$ 1,770,914	\$ -
Children's Health	2,867,961	-
Other	135	833,255
Campaign to Eradicate Polio	1,175,214	50,290
Global AIDS Fund	450,299	-
Time restrictions	967,673	-
	<u>\$ 7,232,196</u>	<u>\$ 883,545</u>

8. Employee Benefits

Effective July 1998, UNF established a 401(k) plan for all UNF employees. UNF provides a 150% match of all employee contributions up to 4% of the employee's salary, which results in a maximum employer contribution of 6% of the employee's salary. For the years ended December 31, 2001 and 2000, UNF paid benefits under this plan of \$156,084 and \$139,371, respectively. Payments were subject to a cost-sharing agreement with BWF, which is further described in Note 9. The plan terminated effective January 2, 2002, and was replaced by a 403(b) plan with similar match and contribution properties of the former 401(k) plan.

9. Related Parties

Relationship with United Nations

On February 2, 1998, UNF and the United Nations entered into a Relationship Agreement whereby the United Nations and UNF agreed to work together to achieve the goals and objectives of the Charter of the United Nations through the implementation of innovative, forward-looking and proactive projects and activities that make contributions to the collective future and well-being of the planet. UNF will assist the United Nations by providing grants to the United Nations to assist in its goals and objectives, undertake fundraising efforts to support United Nations' projects and activities, and engage in or provide support to activities designed to increase public awareness and support for the United Nations. The United Nations set up the United Nations Fund for International Partnerships ("UNFIP"), under the control of the Secretary General of the United Nations, to receive grants exclusively from UNF. UNFIP provides a central administrative vehicle within the United Nations for working with UNF to identify and select projects and activities, receive and distribute funds for such projects and activities, and monitor and report on the use of such funds. UNFIP also has responsibility for final project preparation. UNFIP is required to be administered in accordance with the Financial Regulations and Rules of the United Nations. During 2001 and 2000, grants unconditionally approved to UNFIP and included in program services in the statement of activities and changes in net assets

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2001 and 2000

(deficit) were \$90,428,592 and \$83,767,631, respectively. Included in the grants unconditionally approved to UNFIP during 2001 and 2000 are administrative and project fees of \$2,738,000 and \$2,124,800, respectively. At December 31, 2001 and 2000, unexpended grants of \$74,927,728 and \$73,183,743, respectively are committed to UNFIP.

Contribution

Gift income in the amount of \$74,809,403 and \$45,760,985 was received through the donation of securities from Ted Turner, Chairman of UNF Board of Directors, for the years ended December 31, 2001 and 2000, respectively.

Cost-sharing agreement

UNF incurs certain costs of operations which are shared by BWF, such as personnel, rent, travel, and other operating costs. UNF and BWF have a cost-sharing agreement whereby operating costs are shared based upon the relative portions of annual grant making, employee times incurred, or labor costs, depending on the type of expenditure. In 2001 and 2000, respectively, \$536,231 and \$450,298 of cost was allocated from UNF to BWF and was recorded in accounts receivable from affiliate.

Grants paid to affiliated organization

During 2000, UNF provided a grant of \$2,000,000 to the University for Peace. A former board member of UNF is Chairman and Rector of the board of the University for Peace.

10. Commitments

At December 31, 2001, UNF had committed to provide grants in excess of its cash resources. On June 18, 2002, UNF received \$60,000,000 in contribution from Ted Turner, Chairman of the UNF Board of Directors, which provides the Foundation with the resources to continue its operations through January 2003.

11. Restatement

Prior to 2001, UNF recorded contributions that included donor-imposed restrictions as unrestricted revenue. However, in accordance with Statement of Financial Accounting Standards No. 116, "*Accounting for Contributions Received and Contributions Made*" contributions with donor-imposed restrictions shall be reported as restricted support. In addition, receipts of unconditional promises to give with payments due in future periods shall be reported as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of a promise make clear that the donor intended it to be used to support activities of the current period. The December 31, 2000 financial statements have been restated to record the contributions as temporarily restricted revenue and increase temporarily restricted net assets. As a result of the restatement at December 31, 1999, temporarily restricted net assets increased \$24,590,620 and unrestricted net assets decreased \$24,590,620 and December 31, 2000 unrestricted revenue increased and temporarily restricted revenue decreased by \$23,707,075. This restatement had no impact on total net assets of UNF.