

BETTER WORLD FUND, INC.

Financial Statements

December 31, 1998

BETTER WORLD FUND, INC.

Index

	Page(s)
Report of Independent Accountants	1
Statement of Financial Position at December 31, 1998	2
Statement of Activities and Changes in Net Assets for the Year Ended December 31, 1998	3
Statement of Cash Flows for the Year Ended December 31, 1998	4
Notes to the Financial Statements	5 - 7

Report of Independent Accountants

April 23, 1999

To the Board of Directors of
Better World Fund, 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 Better World Fund, Inc. ("BWF"), at December 31, 1998, and the results of its operations and changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of BWF's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards 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 audit provides a reasonable basis for the opinion expressed above.



BETTER WORLD FUND, INC.
Statement of Financial Position
December 31, 1998

Assets

Cash and cash equivalents	\$ 2,768,701
Fixed assets, net of accumulated depreciation of \$11,379	38,277
Other assets	<u>31,781</u>
Total assets	<u>\$ 2,838,759</u>

Liabilities and Net Assets

Accounts payable	\$ 92,982
Payable to affiliates (Note 4)	<u>455,968</u>
Total liabilities	548,950
Unrestricted net assets designated by Board (Note 5)	<u>2,289,809</u>
Total liabilities and net assets	<u>\$ 2,838,759</u>

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

BETTER WORLD FUND, INC.**Statement of Activities and Changes in Net Assets
for the Year Ended December 31, 1998**

	Unrestricted
Revenue	
Gift income from related party (Note 4)	\$ 4,854,081
Donated services	17,686
Interest and dividends	123,575
Realized gain on the sale of securities	528,197
	<u>5,523,539</u>
Expenses	
Program services	2,841,606
General and administrative	264,825
Fund raising	127,299
	<u>3,233,730</u>
Increase in net assets, representing net assets at end of year	<u>\$ 2,289,809</u>

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

BETTER WORLD FUND, INC.
Statement of Cash Flows
for the Year Ended December 31, 1998

Cash flows from operating activities	
Increase in net assets	\$ 2,289,809
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	11,379
Donated securities (Note 4)	(4,854,081)
Realized gain on securities	(528,197)
Increase in other assets	(31,781)
Increase in accounts payable	92,982
Increase in payable to affiliates	455,968
Net cash used in operating activities	<u>(2,563,921)</u>
Cash flows from investing activities	
Proceeds from sale of securities	5,382,278
Purchase of fixed assets	(49,656)
Net cash provided by investing activities	<u>5,332,622</u>
Cash and cash equivalents, end of year	<u>\$ 2,768,701</u>

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

BETTER WORLD FUND, INC.
Notes to the Financial Statements
Year Ended December 31, 1998

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established Better World Fund, Inc. ("BWF") and its sister organization, United Nations Foundation, Inc. ("UNF"), 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) institutional strengthening and humanitarian causes.

2. Summary of Significant Accounting Policies

Basis of presentation

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

Contributions received

BWF records contributions consistent with Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" ("SFAS 116"). SFAS 116 requires contributions and unconditional promises to give to be recognized as revenue in the period received at their fair value. Restricted contributions or promises to give whose restrictions are met in the same accounting period as that in which they are received are presented as unrestricted revenue. Conditional promises to give are recognized when the conditions are substantially met. Multi-year promises to give are recorded at net present value.

Contributions made

SFAS 116 also requires contributions and unconditional promises to give to be recognized as expenses in the period made at their fair values. BWF considers a grant to be payable when approved by its Board of Directors. Conditional grants are recognized when the conditions are substantially met. Multi-year grants are recorded at their net present value.

Donated services

BWF records donations of services if they create or enhance nonfinancial assets or 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.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, BWF considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Depreciation

Depreciation is provided on a straight-line basis for fixed assets based on useful lives ranging from 3-5 years.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
Year Ended December 31, 1998

Investments – securities

BWF accounts for its investment securities under the provisions of Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" ("SFAS 124"). SFAS 124 requires investments in equity securities with readily determinable fair values and all investments in debt securities to be reported at fair value with unrealized gains and losses included in the Statement of Activities.

Donated gifts of securities are recorded based on estimated fair value at the date the donation is received or at the realized value of the security if sold within seven days of the donation date. Realized gains and losses on sales of securities represent the difference between net proceeds received and the carrying value of the investments.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. Tax Status

The Foundation has received an advance 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.

4. Related Parties

Gift income

Gift income in the amount of \$4,854,081 was received through the donation of securities from Ted Turner, Chairman of the BWF Board of Directors.

Cost-sharing agreement

The United Nations Foundation, Inc. incurs certain costs of operations which are shared by BWF. UNF and BWF entered into a cost-sharing agreement in 1998 whereby the 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. In 1998, \$455,968 of cost was allocated from UNF to BWF and is recorded in payable to affiliate.

Grants paid to affiliated organization

During 1998, BWF provided a grant of \$500,000 to the Earth Council. A board member of BWF is the chairman of the Earth Council.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
Year Ended December 31, 1998

5. Net Assets Designated by Board

At December 31, 1998, the net assets balance of \$2,289,809 was designated for use towards the following projects which have been approved by the Board of Directors.

Campaign for the UN	\$ 12,000,000
UNWire: A Daily News Briefing	1,277,000
Polio eradication: a possible UNF and Rotary International Partnership to raise funds from the private sector	194,056
Public opinion research	85,750
The UN Visitor Experience	70,000
Media education campaign	<u>32,500</u>
Total	<u>\$ 13,659,306</u>