

BETTER WORLD FUND, INC.

Financial Statements

December 31, 2001 and 2000

BETTER WORLD FUND, 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 - 8

Report of Independent Accountants

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, 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 BWF'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 7, the December 31, 2000 financial statements have been restated to properly reflect unexpended grants and program services expense.

PricewaterhouseCoopers LLP

June 20, 2002

BETTER WORLD FUND, INC.
Statements of Financial Position
December 31, 2001 and 2000

	2001	2000
Assets		
Cash and cash equivalents	\$ 309,758	\$ 2,286,703
Accounts receivable	4,965	-
Property and equipment, net of accumulated depreciation of \$86,560 in 2001 and \$74,346 in 2000	<u>32,813</u>	<u>46,577</u>
Total assets	<u>\$ 347,536</u>	<u>\$ 2,333,280</u>
Liabilities and Net Assets (Deficit)		
Accounts payable and accrued expenses	\$ 69,671	\$ 44,516
Due to affiliate	2,810,482	1,427,364
Unexpended grants, net	<u>5,894,037</u>	<u>1,099,800</u>
Total liabilities	8,774,190	2,571,680
Net assets (deficit)		
Unrestricted net assets (deficit)	<u>(8,426,654)</u>	<u>(238,400)</u>
Total liabilities and net assets (deficit)	<u>\$ 347,536</u>	<u>\$ 2,333,280</u>

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

BETTER WORLD FUND, 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	\$ 5,592,813	\$ 4,888,804
Other contributions	116	1,094
Interest and dividends	110,865	184,343
Total unrestricted revenues	<u>5,703,794</u>	<u>5,074,241</u>
Net assets released from restriction	1,797,717	-
Total unrestricted revenues and other support	<u>7,501,511</u>	<u>5,074,241</u>
Expenses		
Program services	15,325,509	9,789,541
General and administrative	222,733	105,115
Fundraising	141,523	56,417
Total expenses	<u>15,689,765</u>	<u>9,951,073</u>
Change in unrestricted net assets	(8,188,254)	(4,876,832)
Unrestricted net assets, beginning of year	(238,400)	4,638,432
Unrestricted net assets, end of year	<u>(8,426,654)</u>	<u>(238,400)</u>
Change in temporarily restricted net assets		
Contributions from third parties	1,797,717	-
Net assets released from restriction	(1,797,717)	-
Change in temporarily restricted net assets	-	-
Temporarily restricted net assets, beginning of year	-	-
Temporarily restricted net assets, end of year	<u>-</u>	<u>-</u>
Change in net assets	(8,188,254)	(4,876,832)
Net assets (deficit), beginning of year	(238,400)	4,638,432
Net assets (deficit), end of year	<u>\$ (8,426,654)</u>	<u>\$ (238,400)</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, 2001 and 2000

	2001	2000
Cash flows from operating activities		
Change in net assets	\$ (8,188,254)	\$ (4,876,832)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,214	37,457
Donated securities	(5,592,813)	(4,888,804)
Loss on disposal of property and equipment	1,550	-
Changes in assets and liabilities:		
Increase in accounts receivables	(4,965)	-
Increase (decrease) in accounts payable and accrued expenses	25,155	(12,195)
Increase in unexpended grants	4,794,237	920,316
Increase in due to affiliate	1,383,118	712,264
Net cash used in operating activities	<u>(7,569,758)</u>	<u>(8,107,794)</u>
Cash flows from investing activities		
Proceeds from sale of securities	5,592,813	4,888,804
Purchases of property and equipment	-	(37,977)
Net cash provided by investing activities	<u>5,592,813</u>	<u>4,850,827</u>
Net decrease in cash and cash equivalents	(1,976,945)	(3,256,967)
Cash and cash equivalents, beginning of year	<u>2,286,703</u>	<u>5,543,670</u>
Cash and cash equivalents, end of year	<u>\$ 309,758</u>	<u>\$ 2,286,703</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, 2001 and 2000

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) 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.

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 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.

During 2000, BWF received approximately \$1,060,000 designated by donors towards the Adopt-a-Minefield Campaign, which was not recorded in revenue or in program expense of BWF. These transactions were recorded as agency transactions because the donations were directed by the United Nations Association of the USA.

During 2001, BWF changed the administration of the Adopt-a-Minefield program whereby BWF has the primary role in fundraising efforts and provides acknowledgements to the donors. In addition, BWF entered into a contract with the United Nations Development Programme ("UNDP") to perform the activities related to mine action programs. BWF has full discretionary power to choose the beneficiary and communicates this right to redirect to the donor. Since BWF has discretion to choose the beneficiary of the assets, in accordance with Statement of Financial Accounting Standards No. 136 "*Transfers of Assets to a Not-for-Profit Organization or*

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2001 and 2000

Charitable Trust that Raises or Holds Contributions for Others." BWF recorded \$1,387,717 as contribution revenue in the statement of activities and changes in net assets (deficit).

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 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.

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.

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 or at the realized value of the security if sold within seven days of the donation date.

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.

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.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2001 and 2000

3. 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	\$ 4,169,995	\$ 1,099,800
One year to five years	1,874,068	-
	<u>6,044,063</u>	<u>1,099,800</u>
Less: Discount	(150,026)	-
Total unexpended grants, net	<u>\$ 5,894,037</u>	<u>\$ 1,099,800</u>

4. Related Parties

Contribution

Gift income in the amount of \$5,592,813 and \$4,888,804 in 2001 and 2000, respectively, 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, such as personnel, rent, travel and other operating costs. 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. In 2001 and 2000, respectively, \$536,230 and \$450,298 of cost was allocated from UNF to BWF and is recorded in due to affiliate.

5. Commitments

On December 31, 2001, BWF had committed to provide grants in excess of its cash resources. On June 18, 2002, BWF received \$16,000,000 in contribution from Ted Turner, Chairman of the BWF Board of Directors, which provides BWF with the resources to continue its operations through January 2003.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2001 and 2000

6. Better World Campaign

In 1998, the Board of Directors designated \$12,000,000 towards the Better World Campaign in order to promote knowledge and awareness of the United Nations and its programs. In 2001, an additional \$12,000,000 was approved by the Board of Directors. During 2001, and 2000, respectively, the Better World Campaign expended \$6,419,219 and \$4,369,927 towards this project, which were composed of the following costs:

	2001	2000
Professional services	\$ 5,347,411	\$ 3,873,303
Grants to supporting organizations	263,163	144,211
General and administrative	808,645	352,413
	\$ 6,419,219	\$ 4,369,927

7. Restatement

Prior to 2001, BWF accrued grants payable for monies that were only due upon receipt of a third party contribution. However, in accordance with Statement of Financial Accounting Standards No. 116, "*Accounting for Contributions Received and Contributions Made*", conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. In this case, the BWF funds are contingent on the contribution of third party funds; thus, the matching and third party amounts should not be recorded until the third party funds have been raised. The December 31, 2000 financial statements have been restated to reverse the accrual of grants payable and program services expense. As a result of the restatement, unexpended grants and program services expense decreased \$1,535,000 and unrestricted net assets decreased by \$1,535,000.