

UNITED NATIONS FOUNDATION, INC.

Financial Statements

December 31, 2003 and 2002

UNITED NATIONS FOUNDATION, INC.

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Report of Independent Auditors

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, 2003 and 2002, 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. 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.

PricewaterhouseCoopers LLP

June 4, 2004

UNITED NATIONS FOUNDATION, INC.
Statements of Financial Position
December 31, 2003 and 2002

	2003	2002
Assets		
Cash and cash equivalents	\$ 46,623,998	\$ 36,705,755
Accounts receivable:		
Due from affiliate	8,487,550	6,199,047
Other	280,816	384,328
Contribution receivable, net	21,819,107	19,163,969
Prepaid expenses and deposits	173,034	211,604
Property and equipment, net	635,736	483,939
Total assets	<u>\$ 78,020,241</u>	<u>\$ 63,148,642</u>
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable	\$ 472,228	\$ 602,287
Accrued expenses	344,845	256,623
Unexpended grants, net	58,097,893	69,946,743
Deferred rent	349,256	241,829
Total liabilities	<u>59,264,222</u>	<u>71,047,482</u>
Net assets (deficit)		
Unrestricted net assets (deficit)	3,366,476	(25,002,283)
Temporarily restricted net assets	15,389,543	17,103,443
Total net assets (deficit)	<u>18,756,019</u>	<u>(7,898,840)</u>
Total liabilities and net assets (deficit)	<u>\$ 78,020,241</u>	<u>\$ 63,148,642</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, 2003 and 2002

	2003	2002
Change in unrestricted net assets (deficit)		
Revenues:		
Contributions from related party	\$ 59,752,274	\$ 60,000,000
Other contributions	27,499,493	3,734,579
Interest and dividends	1,172,190	7,210,927
Other	72,968	27,353
Total unrestricted revenues	<u>88,496,925</u>	<u>70,972,859</u>
Net assets released from restriction	<u>45,831,953</u>	<u>31,122,943</u>
Total unrestricted revenues and other support	<u>134,328,878</u>	<u>102,095,802</u>
Expenses:		
Program services	94,718,822	96,666,190
General and administrative	1,915,967	2,043,418
Fund raising	9,325,330	3,035,824
Total expenses	<u>105,960,119</u>	<u>101,745,432</u>
Change in unrestricted net assets	28,368,759	350,370
Unrestricted net assets (deficit), beginning of year	<u>(25,002,283)</u>	<u>(25,352,653)</u>
Unrestricted net assets (deficit), end of year	<u>3,366,476</u>	<u>(25,002,283)</u>
Change in temporarily restricted net assets		
Contributions from third parties	44,118,053	40,994,190
Net assets released from restriction	<u>(45,831,953)</u>	<u>(31,122,943)</u>
Change in temporarily restricted net assets	<u>(1,713,900)</u>	<u>9,871,247</u>
Temporarily restricted net assets, beginning of year	<u>17,103,443</u>	<u>7,232,196</u>
Temporarily restricted net assets, end of year	<u>15,389,543</u>	<u>17,103,443</u>
Change in net assets	26,654,859	10,221,617
Net assets (deficit), beginning of year	<u>(7,898,840)</u>	<u>(18,120,457)</u>
Net assets (deficit), end of year	<u>\$ 18,756,019</u>	<u>\$ (7,898,840)</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, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Change in net assets	\$ 26,654,859	\$ 10,221,617
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	236,355	210,478
Loss/(Gain) on disposal of property	2,080	(9,285)
Donated securities	(59,752,274)	-
Changes in assets and liabilities:		
Increase in accounts receivable due from affiliate	(2,288,503)	(3,388,565)
Decrease (increase) in accounts receivable other	103,512	(290,532)
Increase in contributions receivable, net	(2,655,138)	(11,229,069)
Decrease (increase) in prepaid expenses and deposits	38,570	(115,411)
(Decrease) increase in accounts payable	(130,059)	268,838
Increase in accrued expenses	88,222	115,571
Decrease in unexpended grants, net	(11,848,850)	(5,624,484)
Increase in deferred rent	107,427	156,257
Net cash used in operating activities	<u>(49,443,799)</u>	<u>(9,684,585)</u>
Cash flows from investing activities		
Proceeds from sale of securities	59,752,274	-
Proceeds from disposal of property	-	12,346
Purchases of property and equipment	(390,232)	(143,921)
Net cash provided by (used in) investing activities	<u>59,362,042</u>	<u>(131,575)</u>
Net increase (decrease) in cash and cash equivalents	9,918,243	(9,816,160)
Cash and cash equivalents, beginning of year	<u>36,705,755</u>	<u>46,521,915</u>
Cash and cash equivalents, end of year	<u>\$ 46,623,998</u>	<u>\$ 36,705,755</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, 2003 and 2002

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, 2003 and 2002

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 of \$27,476,168 and \$3,732,085 for the years ending December 31, 2003 and 2002, respectively, mostly related to donated media for the Apathy is Lethal campaign. These amounts are included in other contributions on the statement of activities and changes in net assets (deficit).

Interest income

Certain interest income earned by UN agencies and projects, resulting from funding provided by UNF, was made available for use to fulfill project payment requests during 2003 and 2002. This income is recorded as interest income at the time the income is utilized in meeting a specific payment request.

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 using the half-year convention 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, 2003 and 2002, 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.

Concentration of credit risk

Financial instruments, which potentially subject UNF to a concentration of credit risk, consist of demand deposits placed with financial institutions. UNF places its cash and cash equivalents with high credit quality financial institutions. At times such balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit, however, management believes the risk of loss in these situations to be minimal.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

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, including donated services, during the reporting period. Actual results could differ from those estimates.

3. Contributions Receivable

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

	2003	2002
Less than one year	\$ 19,512,922	\$ 15,373,157
One year to five years	3,123,137	4,534,225
Over five years	200,000	300,000
	<u>22,836,059</u>	<u>20,207,382</u>
Less: Discount	(308,697)	(335,158)
Net present value of contributions receivable	<u>22,527,362</u>	<u>19,872,224</u>
Less: Allowance for doubtful accounts	(708,255)	(708,255)
Total contributions receivable, net	<u><u>\$ 21,819,107</u></u>	<u><u>\$ 19,163,969</u></u>

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2003	2002
Land	\$ 138,175	\$ 138,175
Leasehold improvements	483,252	215,795
Equipment and software	867,545	868,471
Furniture and fixtures	93,521	84,651
	<u>1,582,493</u>	<u>1,307,092</u>
Less: Accumulated depreciation	(946,757)	(823,153)
Total property and equipment, net	<u><u>\$ 635,736</u></u>	<u><u>\$ 483,939</u></u>

5. Unexpended Grants

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

UNITED NATIONS FOUNDATION, INC.
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	2003	2002
Less than one year	\$ 44,592,239	\$ 31,932,344
One year to five years	14,033,734	39,500,010
	<u>58,625,973</u>	<u>71,432,354</u>
Less: Discount	(528,080)	(1,485,611)
Total unexpended grants, net	<u>\$ 58,097,893</u>	<u>\$ 69,946,743</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 \$998,349 and \$749,681 was recognized for the years ended December 31, 2003 and 2002, on a straight-line basis. The future minimum lease payments to be made and future lease receipts from tenants of these leases are as follows:

Year ending December 31,	Lease Payments To Be Made	Lease Payments To Be Received
2004	\$ 835,284	\$ 99,314
2005	871,859	38,039
2006	904,491	-
2007	528,315	-
2008	129,928	-
Thereafter	27,068	-
	<u>\$ 3,296,945</u>	<u>\$ 137,353</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
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7. Temporarily Restricted Net Assets

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

	2003	2002
Apathy is Lethal	\$ 116,709	\$ 20,938
Global AIDS Fund	251,213	2,444,330
Campaign to Eradicate Polio	21,205	236,189
Children's Health	9,454,226	7,500,000
Environment	631,486	1,077,000
Peace, Security, and Human Rights	1,445,960	-
Women and Population	803,558	3,324,623
Other	109,002	100
Time restrictions	2,556,184	2,500,263
	<u>\$ 15,389,543</u>	<u>\$ 17,103,443</u>

8. Employee Benefits

Effective January 2, 2002, UNF established a 403(b) plan for all UNF employees, which replaced the former 401(k) plan. 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, 2003 and 2002, UNF paid benefits under this plan of \$247,702 and \$224,142, respectively. Payments were subject to a cost-sharing agreement with BWF, which is further described in Note 9.

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 is required to be administered in accordance with the Financial Regulations and Rules of the United Nations. During 2003 and 2002, grants unconditionally approved to UNFIP and included in program services in the statement of activities and changes in net assets (deficit) were \$49,197,925 and \$88,425,261, respectively.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

Included in the grants unconditionally approved to UNFIP during 2003 and 2002 are administrative and project fees of \$2,400,000 and \$2,489,000, respectively. At December 31, 2003 and 2002, unexpended grants of \$57,837,410 and \$69,959,004, respectively are committed to UNFIP.

Contribution

Gift income in the amount of \$59,752,274 and \$60,000,000 was received through the donation of cash and securities from Ted Turner, Chairman of UNF Board of Directors, for the years ended December 31, 2003 and 2002, 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 2003 and 2002, respectively, \$1,591,019 and \$753,571 of cost was allocated from UNF to BWF and was recorded in accounts receivable from affiliate. At December 31, 2003 and 2002, the due from affiliate receivable was \$8,487,550 and \$6,199,047, respectively.

10. Commitments

At December 31, 2003, UNF had committed to provide grants in excess of its cash resources. During 2004, UNF has received approximately \$30,800,000 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 2005.