

UNITED NATIONS FOUNDATION, INC.
Financial Statements and Supplementary
Information
December 31, 2011 and 2010

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 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 United Nations Foundation, Inc. (the "Foundation"), 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 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. 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 Foundation. 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

June 29, 2012

UNITED NATIONS FOUNDATION, INC.
Statements of Financial Position
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 20,029,355	\$ 25,534,718
Investments	127,272,722	106,964,937
Accounts receivable:		
Due from an affiliate	2,228,024	1,202,162
Other	732,211	2,951,143
Contributions receivable, net	85,377,029	41,691,952
Prepaid expenses and deposits	524,217	485,863
Property and equipment, net	<u>1,590,433</u>	<u>2,149,489</u>
Total assets	<u>\$ 237,753,991</u>	<u>\$ 180,980,264</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,246,028	\$ 3,046,148
Unexpended grants, net	2,302,549	6,367,398
Deferred rent and landlord allowance	985,754	974,715
Deferred revenue	<u>6,495</u>	<u>-</u>
Total liabilities	<u>6,540,826</u>	<u>10,388,261</u>
Net assets		
Unrestricted net assets	117,578,701	108,625,013
Temporarily restricted net assets	<u>113,634,464</u>	<u>61,966,990</u>
Total net assets	<u>231,213,165</u>	<u>170,592,003</u>
Total liabilities and net assets	<u>\$ 237,753,991</u>	<u>\$ 180,980,264</u>

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

UNITED NATIONS FOUNDATION, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
Change in unrestricted net assets		
Revenues:		
Contributions from a related party	\$ 36,281,600	\$ 44,907,138
Contributions from third parties	1,285,078	323,664
Interest and dividends	1,908,288	6,280,429
Net realized and unrealized (loss) gain on investments	(138,729)	4,689,423
Grant recoveries and adjustments	815,973	3,693,321
Other	217,129	55,538
Total unrestricted revenues and other changes	40,369,339	59,949,513
Net assets released from restriction	95,876,997	75,904,268
Total unrestricted revenues and other support	136,246,336	135,853,781
Expenses:		
Program services	110,217,482	93,731,937
General and administrative	9,635,995	7,415,519
Fund raising	7,439,171	5,661,508
Total expenses	127,292,648	106,808,964
Change in unrestricted net assets	8,953,688	29,044,817
Unrestricted net assets, beginning of year	108,625,013	79,580,196
Unrestricted net assets, end of year	117,578,701	108,625,013
Change in temporarily restricted net assets		
Contributions from third parties	152,176,429	78,580,521
Contributions from a related party	23,501	230,442
Interest and dividends	516	1,722,101
Gifts in kind	-	23,328
Grant recoveries and adjustments	342,325	1,185,593
Bad debt	-	(375,442)
Other adjustments	(3,342,305)	(477,038)
Net realized and unrealized foreign currency exchange loss	(1,655,995)	(120,541)
Net assets released from restriction	(95,876,997)	(75,904,268)
Change in temporarily restricted net assets	51,667,474	4,864,696
Temporarily restricted net assets, beginning of year	61,966,990	57,102,294
Temporarily restricted net assets, end of year	113,634,464	61,966,990
Change in net assets	60,621,162	33,909,513
Net assets, beginning of year	170,592,003	136,682,490
Net assets, end of year	\$ 231,213,165	\$ 170,592,003

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, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 60,621,162	\$ 33,909,513
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	815,244	525,323
Grant recoveries	(1,158,298)	(4,878,914)
Contributions returned to donors	172,178	477,038
Bad debt	-	375,442
Other adjustments	3,170,127	-
Accretion on the contributions receivable	(820,690)	(289,746)
Discount on contributions receivable	2,450,525	958,542
Amortization of discount on grants payable	12,056	74,170
Discount on grants payable	-	(12,056)
Accretion of landlord allowance	81,857	(74,238)
Donated securities	(19,590)	(12,546)
Realized loss on donated securities	17	345
Net realized and unrealized loss (gain) and fees on investments	1,389,182	(3,159,523)
Net realized and unrealized foreign currency exchange loss	1,655,995	120,542
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable due from an affiliate	(1,025,862)	245,990
Decrease (increase) in accounts receivable other, net	2,218,932	(347,276)
Increase in contributions receivable	(50,141,034)	(10,018,339)
Increase in prepaid expenses and deposits	(38,354)	(159,784)
Increase in accounts payable and accrued expenses	199,880	508,799
(Decrease) increase in unexpended grants	(3,090,785)	610,140
(Decrease) increase in deferred rent	(70,818)	19,717
Increase in deferred revenue	6,495	-
Net cash provided by operating activities	<u>16,428,219</u>	<u>18,873,139</u>
Cash flows from investing activities		
Proceeds from sale of donated securities	19,573	12,201
Purchase of investments	(45,804,618)	(47,422,854)
Proceeds from the sale of investments	24,107,651	22,000,000
Purchases of property and equipment	(256,188)	(245,139)
Net cash used in investing activities	<u>(21,933,582)</u>	<u>(25,655,792)</u>
Net decrease in cash and cash equivalents	<u>(5,505,363)</u>	<u>(6,782,653)</u>
Cash and cash equivalents, beginning of year	<u>25,534,718</u>	<u>32,317,371</u>
Cash and cash equivalents, end of year	<u><u>\$ 20,029,355</u></u>	<u><u>\$ 25,534,718</u></u>
Supplemental information :		
Donated securities	<u>\$ 19,590</u>	<u>\$ 12,546</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, 2011 and 2010

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established the United Nations Foundation, Inc. (the "Foundation" or "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 on the accrual basis of accounting.

Classification of net assets

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

Unrestricted Net Assets - Unrestricted net assets are those whose use by UNF 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 UNF. 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. Of the total unrestricted net assets, \$0 and \$364,811 have been designated as grant matching funds as of December 31, 2011 and 2010, respectively.

The Board of Directors has approved a set-aside of R.E. (Ted) Turner's unrestricted contributions for the long-term sustainability goals of the Foundation. As of December 31, 2011, the set-aside balance was approximately \$127 million. In connection with these goals and included in the \$127 million amount, the Board of Directors approved \$20 million dollars in each of the years 2011 and 2010.

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

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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

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, temporarily restricted net assets are reclassified to unrestricted net assets in the Statement 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, then UNF does not recognize the conditional promise to give. As of December 31, 2011 and 2010, UNF had no conditional promises to give.

Unconditional promises to give involve fair value measurement only upon initial recognition. Unconditional promises to give, recorded in 2007 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 2008 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 and range from 2.29% to 5.14%. Carrying value approximates market value.

In 2011 and 2010, contributions received in prior years totaling \$172,178 and \$477,038, respectively, were returned to donors either because the Foundation could not implement the purpose for which the contribution was originally received or residual funds existed on closed grants/projects.

Unconditional promises to give that are expected to be received in future years, which are denominated in foreign currency, are recorded in U.S. dollars and are remeasured annually at the prevailing year-end exchange rate.

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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 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 any other similar non-profit organization. This approach is consistent with the guidance provided under ASC Topic 820. Discount rates are based on market participants and range from 2.50% to 5.14%. Carrying value approximates market value.

At the end of the approved grant term and upon completion of UNF's internal grant modification and closing process, grant recoveries and adjustments are recorded in the period in which they are closed or modified as reflected on the Statements of Activities. In 2011 and 2010, grant recoveries and adjustments and the corresponding grants payable balances were recorded in the amounts of \$446,796 and \$2,022,990, respectively, due to grant closings and modifications. Additionally, as of December 31, 2011 and 2010, grant recoveries and adjustments were recorded related to closed grants with pending refunds in the amounts of \$711,502 and \$2,855,924, respectively.

Gift in kind

Gift in kind is recorded at estimated fair value at the date the donation is received.

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. There were no donated services for the years ended December 31, 2011 and 2010.

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 2011 and 2010. This income is recorded as interest income at the time it is reported by UN agencies to UNF and is held as a receivable until it is utilized in meeting a specific payment request.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments purchased with original maturities of 90 days or less. Cash equivalents consist of funds held in a money market account which are available for immediate withdrawal without penalty.

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Foreign currency

All foreign currency transactions, if any, are converted and accounted for in United States dollars on the date of the respective transaction. All monetary assets and liabilities held in foreign currencies, if any, are translated using the rate of exchange at the balance sheet date and the resulting unrealized foreign currency exchange gain or loss is recognized.

Property and equipment

Property and equipment are recorded at cost and depreciated using the half-year convention over the estimated useful lives of assets ranging from two to eight years or the life of the lease, whichever is shorter. Land is recorded at fair value at the date of contribution. 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 maintenances are charged to operations as incurred.

Leases and leasehold improvements

During 2006, UNF entered into an agreement to lease additional office space in Washington, DC as its headquarters facility. The office lease is a ten-year agreement which expires in 2017. However, UNF has the option of exiting this lease at eight years, with the payment of an early-termination fee. Leasehold improvements are amortized over the eight-year useful life of the lease. Under the terms of this lease, UNF obtained a letter of credit amounting to \$104,828 in lieu of a security deposit for the building in March 2011.

During 2010, UNF entered into an agreement to lease additional space in Washington, DC. This lease agreement has a term of six years and four months which expires in 2016.

During 2011, UNF entered into a new agreement to lease office space in New York City to relocate its offices from one floor to another within the same building. This lease agreement has a term of 10 years and seven months which expires in 2022.

Landlord allowance

As an incentive for entering into the lease agreement for its headquarters office in Washington, DC, UNF received a cash allowance of \$624,840 from the landlord in 2006. The value of this allowance payment is amortized over the eight-year life of the lease. As of December 31, 2011 and 2010, \$225,809 and \$300,047 is included in deferred rent and landlord allowance on the statements of financial position as unamortized landlord allowance.

As an incentive for entering into the lease agreement for its office in New York City, UNF received a cash allowance of \$192,000 from the landlord in 2011. The value of this allowance payment is amortized over the ten-year, six-month life of the lease. As of December 31, 2011, \$184,381 is included in deferred rent and landlord allowance on the statements of financial position as unamortized landlord allowance.

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, other than unrelated business income. Since UNF has no significant unrelated business income, no provision

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for income tax has been recorded.

On January 1, 2009, UNF 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 UNF's financial statements. UNF does not believe its financial statements include any uncertain tax positions.

Concentration of credit risk

Financial instruments, which potentially subject UNF to a concentration of credit risk, consist of cash and demand deposits placed with three financial institutions. UNF places its cash and cash equivalents with high credit quality financial institutions that are federally insured under the Federal Depositary Insurance Corporation Act (FDICA). At December 31, 2011 and 2010, the aggregate balances in excess of the insurance limits were approximately \$19.4 million and \$24.8 million, respectively, and therefore bear some risk since they are not collateralized. UNF 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 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.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

3. Fair Value Measurements

The Foundation 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

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- 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	
	<u>Cash and cash equivalents</u>	<u>Investments</u>
Items reported at fair value	\$14,281,188	\$ 127,272,722
Items not subject to fair value reporting	<u>5,748,167</u>	<u>-</u>
Total	\$20,029,355	\$ 127,272,722

	2010	
	<u>Cash and cash equivalents</u>	<u>Investments</u>
Items reported at fair value	\$18,189,991	\$ 106,964,937
Items not subject to fair value reporting	<u>7,344,727</u>	<u>-</u>
Total	\$25,534,718	\$ 106,964,937

Items not subject to fair value reporting consist of the cash deposits.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

The following table summarizes the fair value measurement as of December 31, 2011 for financial assets by pricing observability levels:

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value at 12/31/11
Cash equivalents	14,281,188	-	-	14,281,188
Investments:				
Mutual Fund - Domestic				
Large Cap Equities	24,473,682	-	-	24,473,682
Mutual Fund - Domestic Core				
Fixed Income	39,885,927	-	-	39,885,927
Alternative Investments				
International Equity -				
Asia ex Japan	-	2,432,815	4,465,196	6,898,011
Alternative Investments				
International Equity -				
Emerging Markets	-	4,382,511	-	4,382,511
Alternative Investments				
International Equity -				
Europe, Australasia, Far East	-	2,242,552	-	2,242,552
Alternative Investments				
International Equity -				
Global	-	-	6,634,682	6,634,682
Alternative Investments				
Hedged Equity Funds -				
Long/Short Equity	-	-	15,276,353	15,276,353
Alternative Investments				
Absolute Return -				
Global Multi-Strategy	-	-	9,905,868	9,905,868
Alternative Investments				
Absolute Return -				
Credit and Event-Driven	-	-	10,444,138	10,444,138
Alternative Investments				
Global Fixed Income				
Arbitrage	-	-	7,128,998	7,128,998
Total assets measured at fair value on a recurring basis	\$ 78,640,797	\$ 9,057,878	\$ 53,855,235	\$141,553,910

UNITED NATIONS FOUNDATION, INC.
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The following table summarizes the fair value measurement as of December 31, 2010 for financial assets by pricing observability levels:

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value at 12/31/10
Cash equivalents	18,189,991	-	-	18,189,991
Investments:				
Mutual Fund - Domestic				
Large Cap Equities	11,438,159	-	-	11,438,159
Mutual Fund - Domestic Core				
Fixed Income	47,385,266	-	-	47,385,266
Alternative Investments				
International Equity -				
Asia ex Japan	-	1,671,583	5,254,843	6,926,426
Alternative Investments				
International Equity -				
Emerging Markets	-	-	2,555,147	2,555,147
Alternative Investments				
International Equity -				
Europe, Australasia, Far East	-	-	2,558,001	2,558,001
Alternative Investments				
Hedged Equity Funds -				
Long/Short Equity	-	-	16,165,455	16,165,455
Alternative Investments				
Absolute Return -				
Global Multi-Strategy	-	-	8,476,802	8,476,802
Alternative Investments				
Absolute Return -				
Credit and Event-Driven	-	-	5,494,322	5,494,322
Alternative Investments				
Global Fixed Income				
Arbitrage	-	-	5,858,035	5,858,035
Certificate of Deposit	107,324	-	-	107,324
Total assets measured at fair value on a recurring basis	\$ 77,120,740	\$ 1,671,583	\$ 46,362,605	\$ 125,154,928

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In general, for Level 2 and Level 3 investments, the Foundation utilizes the investment manager of the asset to provide a valuation estimate based on techniques discussed later and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the Foundation may also use established processes for determining the fair value of such securities which reflect the Foundation's own assumptions to value the assets as well. Management makes best estimates based on the information available. 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.

Equity Investments – Equity investments include but are not limited to separately held accounts in investment funds and limited partnership holdings. These assets which are grouped by investment objective consist of both publicly-traded and privately-held securities, diversified globally.

- *Publicly-traded securities* – These investments are equity-focused funds with common and preferred stock of both domestic and international companies. The publicly-traded equity investments include domestic large cap equities mutual funds and alternative investments focused on international equity in the Asia ex Japan, Europe and emerging markets regions. The mutual funds exist in an active market and are classified as Level 1. The alternative investments have significant transparency in underlying securities and are classified as Level 2 or Level 3, depending on redemption restrictions. Funds with redemption periods greater than 90 days are classified as Level 3. Although the underlying securities of these alternative investments are publically traded, the funds themselves are not. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.
- *Privately-held securities* – These equity investments include alternative investments with strategies focused on the Asia ex Japan region and hedged equity. These funds are privately held and trade infrequently. The valuations are calculated by the investment manager based on valuation techniques that take into account each fund's underlying assets and include traditional valuation methods such as the market, cost and income approaches. The valuation policies adopted by the manager are reviewed by the Foundation for propriety, consistency, compliance and completeness. Funds with limited transparency in all underlying investments, other than the quoted prices in active markets, or redemption periods greater than 90 days, and that are valued using significant unobservable inputs are classified as Level 3. In the case of private equity investments, there are limited options to transfer or withdraw from these funds prior to their termination. Inputs used to determine fair value are based upon the best available information provided by the partnerships/funds and may incorporate management assumptions and best estimates after considering a

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variety of internal and external factors. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.

Fixed Income – The Foundation's fixed income investments include a domestic core fixed income mutual fund and a global fixed income arbitrage limited partnership. As a publicly traded vehicle, the mutual fund is categorized as Level 1. The limited partnership, with limited transparency in all underlying investments and significant unobservable pricing inputs, is categorized as Level 3. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.

Absolute Return – Absolute Return investments include but are not limited to separately held accounts in investment funds and limited partnership holdings. These assets are comprised of global multi-strategy and credit and event-driven investments. All Absolute Return investments are categorized as Level 3 due to the limited transparency in all underlying investments and significant unobservable pricing inputs. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.

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The following table summarizes redemption restrictions associated with each investment type as of December 31, 2011:

Investment	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Mutual Fund - Domestic Large Cap Equities	\$ 24,473,682	daily	daily
Mutual Fund - Domestic Core Fixed Income	39,885,927	daily	daily
Alternative Investments International Equity - Asia ex Japan	1,959,758	quarterly	60 days
Alternative Investments International Equity - Asia ex Japan	2,505,438	quarterly	30 days
Alternative Investments International Equity - Asia ex Japan	2,432,815	monthly	30 days
Alternative Investments International Equity - Emerging Markets	4,382,511	semi-monthly	5 days
Alternative Investments International Equity - Europe, Australasia, Far East	2,242,552	quarterly	90 days
Alternative Investments International Equity - Global	6,634,682	quarterly starting in 2012	30 days
Alternative Investments Hedged Equity Funds - Long/Short Equity	5,147,788	annually starting in 2012	60 days
Alternative Investments Hedged Equity Funds - Long/Short Equity	4,617,616	tri-annually starting in 2012	60 days
Alternative Investments Hedged Equity Funds - Long/Short Equity	5,510,949	1/5 quarterly 4/5 tri-annually starting in 2013	30 days
Alternative Investments Absolute Return - Global Multi-Strategy	5,155,927	quarterly	65 days

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Alternative Investments			
Absolute Return -			
Global Multi-Strategy	4,749,941	1/3 annually	65 days
Alternative Investments			
Absolute Return -			
Credit and Event-Driven	5,473,586	1/4 quarterly	65 days
Alternative Investments			
Absolute Return -			
Credit and Event-Driven	4,970,552	monthly starting in 2012	90 days
Alternative Investments			
Global Fixed Income			
Arbitrage	7,128,998	1/3 annually	90 days
Certificate of Deposit	-	daily	daily
Total	\$ 127,272,722		

There was \$22,828 in unfunded commitments related to investments held by UNF as of December 31, 2011

The following table summarizes redemption restrictions associated with each investment type as of December 31, 2010:

Investment	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Mutual Fund - Domestic			
Large Cap Equities	\$ 11,438,159	daily	daily
Mutual Fund - Domestic Core			
Fixed Income	47,385,266	daily	daily
Alternative Investments			
International Equity -			
Asia ex Japan	2,559,695	quarterly	60 days
Alternative Investments			
International Equity -			
Asia ex Japan	2,695,148	quarterly starting in 2011	30 days

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Alternative Investments			
International Equity -			
Asia ex Japan	1,671,583	monthly	30 days
Alternative Investments			
International Equity -			
Emerging Markets	2,555,147	semi-monthly	5 days
Alternative Investments			
International Equity -			
Europe, Australasia, Far East	2,558,001	quarterly starting in 2011	90 days
Alternative Investments			
Hedged Equity Funds -			
Long/Short Equity	5,271,400	annually starting in 2013	60 days
Alternative Investments			
Hedged Equity Funds -			
Long/Short Equity	5,465,147	tri-annually starting in 2012	60 days
Alternative Investments		1/5 quarterly starting in 2011	
Hedged Equity Funds -		4/5 tri-annually starting in	
Long/Short Equity	5,428,908	2013	30 days
Alternative Investments			
Absolute Return -			
Global Multi-Strategy	5,091,280	quarterly	65 days
Alternative Investments			
Absolute Return -			
Global Multi-Strategy	3,385,522	1/3 annually starting in 2011	65 days
Alternative Investments			
Absolute Return -			
Credit and Event-Driven	5,494,322	1/4 quarterly starting in 2011	65 days
Alternative Investments			
Global Fixed Income			
Arbitrage	5,858,035	1/3 annually	90 days
Certificate of Deposit	107,324	daily	daily
Total	\$ 106,964,937		

There were no unfunded commitments related to any investments held by UNF as of December 31, 2010.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

The following table summarizes the changes in Level 3 assets, measured at fair value on a recurring basis, as of December 31, 2011:

	Alternative Investments International Equity - Asia ex Japan	Alternative Investments International Equity - Emerging Markets	Alternative Investments International Equity - Europe, Australasia, Far East	Alternative Investments International Equity - Global	Alternative Investments Hedged Equity Funds Long/Short Equity	Alternative Investments Absolute Return - Global Multi- Strategy	Alternative Investments Absolute Return - Credit and Event- Driven	Alternative Investments Global Fixed Income Arbitrage
Fair Value of Level 3 Assets at December 31, 2010	\$5,254,843	2,555,147	2,558,001	-	\$ 16,165,456	\$8,476,802	\$ 5,494,322	\$5,858,035
Net realized gain (loss)	-	-	-	-	-	-	-	-
Net unrealized (loss) gain	(789,647)	(172,636)	(315,449)	(865,318)	(889,103)	(570,934)	(50,184)	1,270,963
Purchases	-	2,000,000	-	7,500,000	-	2,000,000	5,000,000	-
Transfers out of Level 3	-	(4,382,511)	(2,242,552)	-	-	-	-	-
Fair Value of Level 3 Assets at December 31, 2011	\$4,465,196	\$ -	\$ -	\$6,634,682	\$ 15,276,353	\$9,905,868	\$ 10,444,138	\$7,128,998

Transfers between classification levels during the year occurred due to changes in the availability of observable market data or the removal of redemption restrictions related to the investments.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

The following table summarizes the changes in Level 3 assets, measured at fair value on a recurring basis, as of December 31, 2010:

	Alternative Investments International Equity - Asia ex Japan	Alternative Investments International Equity - Emerging Markets	Alternative Investments International Equity - Europe, Australasia, Far East	Alternative Investments Hedged Equity Funds Long/Short Equity	Alternative Investments Absolute Return - Global Multi- Strategy	Alternative Investments Absolute Return - Credit and Event-Driven	Alternative Investments Global Fixed Income Arbitrage
Fair Value of Level 3 Assets at December 31, 2009	\$ -	-	-	\$ 3,089,373	\$ 3,092,111	\$ 5,199,335	\$ 5,202,405
Net realized gain (loss)	-	-	-	-	-	-	-
Net unrealized gain	254,843	55,147	58,001	1,076,083	384,691	294,987	655,630
Purchases	5,000,000	2,500,000	2,500,000	12,000,000	5,000,000	-	-
Fair Value of Level 3 Assets at December 31, 2010	\$ 5,254,843	\$ 2,555,147	\$ 2,558,001	\$ 16,165,456	\$ 8,476,802	\$ 5,494,322	\$ 5,858,035

Fair Value Options

In February 2007, the FASB updated 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 specific election dates, with subsequent unrealized gains and losses reported in the entity's statement of activities. The Foundation adopted this standard effective January 1, 2008. The Foundation 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.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

4. Contributions Receivable

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

	2011	2010
Less than one year	\$ 31,902,236	\$ 22,320,199
One year to five years	56,176,704	20,443,829
	<u>88,078,940</u>	<u>42,764,028</u>
Less: Discount to net present value	(2,701,911)	(1,072,076)
Total contributions receivable, net	<u>\$ 85,377,029</u>	<u>\$ 41,691,952</u>

Net contributions receivable as of December 31, 2011 included amounts of approximately \$43.5 million, \$17.9 million, \$8.6 million, \$6.9 million and \$4 million from five donors. Net contributions receivable as of December 31, 2010 included amounts of approximately \$30.8 million, \$8.9 million, and \$1 million from three donors.

Contributions receivable recorded in 2007 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. Contributions receivable recorded in and after 2008 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 and range from 2.29% to 5.14%.

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2011	2010
Land	\$ 138,175	\$ 138,175
Leasehold improvements	2,673,434	3,098,801
Equipment	786,962	916,122
Furniture and fixtures	422,477	221,269
	<u>4,021,048</u>	<u>4,374,367</u>
Less: Accumulated depreciation	(2,430,615)	(2,224,878)
Total property and equipment, net	<u>\$ 1,590,433</u>	<u>\$ 2,149,489</u>

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

6. Unexpended Grants

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

	2011	2010
Less than one year	\$ 2,302,549	\$ 6,096,854
One year to five years	-	282,600
	<u>2,302,549</u>	<u>6,379,454</u>
Less: Discount to net present value	-	(12,056)
Total unexpended grants, net	<u>\$ 2,302,549</u>	<u>\$ 6,367,398</u>

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 any other similar non-profit organization*. Discount rates are based on market participants and range from 2.50% to 5.14%.

7. Leases

UNF leases office space and equipment under operating leases expiring at various dates through January 31, 2022. The office leases are subject to annual escalation amounts as set forth in the lease agreements. Rent expense of \$2,004,430 and \$1,549,960 was recognized for the years ended December 31, 2011 and 2010, respectively, on a straight-line basis. The following is a schedule of anticipated future minimum rental payments as of December 31, 2011, pursuant to lease agreements:

Year ending December 31,

2012	\$ 2,514,363
2013	2,575,170
2014	2,641,811
2015	684,725
2016	505,551
Thereafter	<u>2,614,443</u>
	<u>\$ 11,536,063</u>

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Current and future rental payments are subject to a cost-sharing agreement with BWF, which is further described in Note 12.

8. Temporarily Restricted Net Assets

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

	2011	2010
Children's Health	80,016,683	39,679,819
Environment	12,810,064	1,810,118
Global AIDS Fund	3,408,398	5,839,002
Malaria	3,497,930	3,585,363
Other	9,473,410	3,593,484
Time	-	72,450
Vodafone Partnership	396,443	1,007,739
Women and Population	4,031,536	6,379,015
	<u>\$ 113,634,464</u>	<u>\$ 61,966,990</u>

Other temporarily restricted net assets include projects such as Apathy is Lethal, Disaster Relief, Indian Diaspora, UN Strengthening and Peace, Security and Human Rights.

9. 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
Children's Health	66,080,980	45,330,265
Disaster Relief	148,564	2,522,884
Environment	4,754,872	2,782,568
Global AIDS Fund	10,982,182	7,530,373
Malaria	4,674,710	5,482,109
Other	1,595,072	1,594,838
Time	100,274	2,565,389
Vodafone Partnership	1,423,933	3,437,776
Women and Population	6,116,410	4,658,066
	<u>\$ 95,876,997</u>	<u>\$ 75,904,268</u>

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

10. 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, 2011 and 2010, UNF contributed under this plan in the amount of \$544,491 and \$484,910, respectively. Payments were subject to a cost-sharing agreement with BWF, which is further described in Note 12.

11. 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 2011 and 2010, grants unconditionally approved to UNFIP and included in program services in the Statements of Activities and Changes in Net Assets were \$60,950,996 and \$40,365,238, respectively. Included in the grants unconditionally approved to UNFIP during 2011 and 2010 are administrative and project fees of \$8,400 and \$3,536,100, respectively. At December 31, 2011 and 2010, unexpended grants of \$637,300 and \$3,182,397, respectively are committed to UNFIP.

Contribution

Contributions in the amount of \$36,281,600 and \$44,907,138 were received through the donation of cash from Ted Turner, Chairman of UNF Board of Directors, for the years ended December 31, 2011 and 2010, respectively. Contributions of \$23,501 and \$230,442 were received through donations of cash from the BWF for the year ended December 31, 2011 and 2010, respectively.

Grants

UNF approved grants totaling \$47,812,847 and \$4,341,469 to affiliated organizations during 2011 and 2010, respectively. No unexpended grants remained payable to affiliated organizations at December 31, 2011. At December 31, 2010 unexpended grants in the Statements of Financial Position included \$17,250 payable to affiliated organizations.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Cost-sharing agreement

UNF and BWF have a cost-sharing agreement whereby operating costs are 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 UNF as "Due from 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 \$4,177,010 of payables and \$6,405,034 of receivables) and \$1,202,162 (consisting of \$775,199 of payables and \$1,977,361 of receivables), respectively, were receivable by UNF and included in "Due from an Affiliate" in the Statements of Financial Position.

12. Contingencies and Commitments

During 2009, a third-party not-for-profit organization, through one of its programs, desired to make loans to selected enterprises in order to support their growth and viability. In light of UNF's interest in the success of that program, UNF entered into a Guarantee Agreement with this organization in September 2009. Under this agreement, UNF guaranteed any loans outstanding from time to time, subject to certain limits on the maximum aggregate amount of payments.

The terms of the agreement stipulate that UNF, acting as the guarantor, may be required to pay the other not-for-profit organization, acting as the beneficiary, for obligations of the borrowers to the beneficiary under this agreement to a maximum guarantee ceiling in total of \$415,537 in connection with principal, interest and reasonable fees and expenses of counsel related to loan defaults under the Guarantee Agreement. The obligation of UNF, as the guarantor, will terminate on the earlier of (i) December 31, 2014 or (ii) on the date on which the last loan is repaid. As of December 31, 2011, there was one loan issued in the amount of \$55,000 under this Guarantee Agreement but no defaults. Therefore, no contingency reserve was recorded by UNF.

13. Subsequent Events

UNF 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.

Supplemental Schedule

UNITED NATIONS FOUNDATION, INC.
Schedule of Functional Expenses
For the Years Ended December 31, 2011 and 2010

	Program Services					Supporting Services					
	Children's Health	Environ-ment	Peace, Security & Human Rights	Women & Population	UN Streng-thening	Total Program Services	General & Admini-strative	Fund-raising	Total Supporting Services	2011 Total Expenses	2010 Total Expenses
Personnel Expenses	\$ 5,951,455	\$ 1,898,418	\$ 10,679	\$ 1,565,956	\$ 490,805	\$ 9,917,313	\$ 2,534,351	\$ 3,160,858	\$ 5,695,209	\$ 15,612,522	\$ 12,323,078
Professional Fees	6,548,324	1,695,033	6,521	1,300,112	573,962	10,123,952	2,669,671	2,939,170	5,608,841	15,732,793	13,769,299
Occupancy	194,036	2,380	622	10,505	9,405	216,948	2,261,808	917	2,262,725	2,479,673	1,685,211
Information Technology	56,251	1,834	129	5,252	9,247	72,713	79,076	17,091	96,167	168,880	271,517
Communications	112,189	57,635	247	22,252	9,584	201,907	43,230	65,287	108,517	310,424	280,275
Postage & Delivery	61,767	8,970	103	19,649	2,644	93,133	23,248	45,022	68,270	161,403	116,156
Printing & Reproduction	122,634	21,965	127	22,663	12,303	179,692	18,439	63,285	81,724	261,416	211,611
Insurance	11,077	3,037	31	1,341	926	16,412	62,189	5,637	67,826	84,238	149,900
Travel	982,722	315,259	1,226	259,973	182,908	1,742,088	463,876	757,973	1,221,849	2,963,937	3,009,889
Other Operating	934,169	205,344	1,507	142,207	105,240	1,388,467	1,480,107	383,931	1,864,038	3,252,505	2,477,464
Grant Expense	77,183,094	880,006	248,367	4,196,675	3,756,715	86,264,857	-	-	-	86,264,857	72,514,564
Total Expenses	\$ 92,157,718	\$ 5,089,881	\$ 269,559	\$ 7,546,585	\$ 5,153,739	\$ 110,217,482	\$ 9,635,995	\$ 7,439,171	\$ 17,075,166	\$ 127,292,648	\$ 106,808,964