

**UNITED NATIONS FOUNDATION, INC.**

Financial Statements

December 31, 2002 and 2001

# UNITED NATIONS FOUNDATION, INC.

## Index

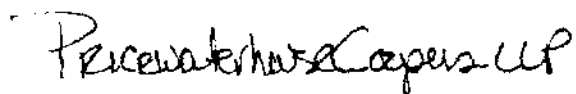
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**Report of Independent Auditors**

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, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain *reasonable assurance about whether the financial statements are free of material misstatement*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



May 22, 2003

**UNITED NATIONS FOUNDATION, INC.****Statements of Financial Position****December 31, 2002 and 2001**

	2002	2001
<b>Assets</b>		
Cash and cash equivalents	\$ 36,705,755	\$ 46,521,915
Accounts receivable:		
Due from affiliate	6,199,047	2,810,482
Other	384,328	93,796
Contribution receivable, net	19,163,969	7,934,900
Prepaid expenses and deposits	211,604	96,193
Property and equipment, net	483,939	553,557
	<u>63,148,642</u>	<u>58,010,843</u>
Total assets	<u>\$ 63,148,642</u>	<u>\$ 58,010,843</u>
<b>Liabilities and Net Assets (Deficit)</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,100,739	\$ 560,073
Unexpended grants, net	69,946,743	75,571,227
Total liabilities	<u>71,047,482</u>	<u>76,131,300</u>
<b>Net assets (deficit)</b>		
Unrestricted net assets (deficit)	(25,002,283)	(25,352,653)
Temporarily restricted net assets	17,103,443	7,232,196
Total net assets (deficit)	<u>(7,898,840)</u>	<u>(18,120,457)</u>
Total liabilities and net assets (deficit)	<u>\$ 63,148,642</u>	<u>\$ 58,010,843</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, 2002 and 2001**

	2002	2001
<b>Change in unrestricted net assets</b>		
Revenues:		
Contributions from related party	\$ 60,000,000	\$ 74,809,403
Other contributions	3,734,579	119,827
Interest and dividends	7,210,927	1,977,925
Other	27,353	65,348
Total unrestricted revenues	<u>70,972,859</u>	<u>76,972,503</u>
Net assets released from restriction	31,122,943	15,207,008
Total unrestricted revenues and other support	<u>102,095,802</u>	<u>92,179,511</u>
Expenses:		
Program services	96,666,190	94,853,699
General and administrative	2,043,418	1,911,511
Fund raising	3,035,824	1,951,247
Total expenses	<u>101,745,432</u>	<u>98,716,457</u>
Change in unrestricted net assets	350,370	(6,536,946)
Unrestricted net assets, beginning of year	<u>(25,352,653)</u>	<u>(18,815,707)</u>
Unrestricted net assets, end of year	<u>(25,002,283)</u>	<u>(25,352,653)</u>
<b>Change in temporarily restricted net assets</b>		
Contributions from third parties	40,994,190	22,263,914
Provision for doubtful accounts	-	(708,255)
Net assets released from restriction	<u>(31,122,943)</u>	<u>(15,207,008)</u>
Change in temporarily restricted net assets	9,871,247	6,348,651
Temporarily restricted net assets, beginning of year	<u>7,232,196</u>	<u>883,545</u>
Temporarily restricted net assets, end of year	<u>17,103,443</u>	<u>7,232,196</u>
<b>Change in net assets</b>	10,221,617	(188,295)
<b>Net assets (deficit), beginning of year</b>	<u>(18,120,457)</u>	<u>(17,932,162)</u>
<b>Net assets (deficit), end of year</b>	<u>\$ (7,898,840)</u>	<u>\$ (18,120,457)</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, 2002 and 2001**

	2002	2001
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 10,221,617	\$ (188,295)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	210,478	144,366
Gain on disposal of property	(9,285)	
Donated securities	-	(74,809,403)
Provision for doubtful accounts	-	708,255
Changes in assets and liabilities:		
Increase in accounts receivable due from affiliate	(3,388,565)	(1,383,118)
(Increase) decrease in accounts receivable other	(290,532)	(42,769)
Increase in contributions receivable, net	(11,229,069)	(7,834,900)
Decrease (increase) in prepaid expenses and deposits	(115,411)	18,508
Increase in accounts payable and accrued expenses	540,666	173,103
Increase (decrease) in unexpended grants, net	(5,624,484)	1,050
Net cash used in operating activities	<u>(9,684,585)</u>	<u>(83,213,203)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of securities	-	74,809,403
Proceeds from disposal of property	12,346	
Purchases of property and equipment	(143,921)	(181,245)
Net cash provided by investing activities	<u>(131,575)</u>	<u>74,628,158</u>
<b>Net decrease in cash and cash equivalents</b>	(9,816,160)	(8,585,045)
<b>Cash and cash equivalents, beginning of year</b>	<u>46,521,915</u>	<u>55,106,960</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 36,705,755</u>	<u>\$ 46,521,915</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, 2002 and 2001**

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**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**  
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**Donated services**

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

**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 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 on a straight-line basis over the estimated useful lives ranging from three to seven years or the life of the lease.

**Investments – securities**

Investments are recorded at fair value based on quoted market prices. There were no investments held as of December 31, 2002 and 2001, 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. At December 31, 2002 and 2001, UNF held funds with financial institutions of \$31,938,935 and \$45,205,524, respectively, in excess of the FDIC insurance limit.



**UNITED NATIONS FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2002 and 2001**

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**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.

**3. Contributions Receivable**

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

	<u>2002</u>	<u>2001</u>
Less than one year	\$ 15,373,157	\$ 4,949,266
One year to five years	4,534,225	3,678,000
Over five years	300,000	400,000
	<u>20,207,382</u>	<u>9,027,266</u>
Less: Discount	<u>(335,158)</u>	<u>(384,111)</u>
Net present value of contributions receivable	19,872,224	8,643,155
Less: Allowance for doubtful accounts	<u>(708,255)</u>	<u>(708,255)</u>
Total contributions receivable, net	<u>\$ 19,163,969</u>	<u>\$ 7,934,900</u>

**4. Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2002</u>	<u>2001</u>
Land	\$ 138,175	\$ 138,175
Leasehold improvements	215,795	177,033
Equipment and software	868,471	773,651
Furniture and fixtures	84,651	84,651
	<u>1,307,092</u>	<u>1,173,510</u>
Less: Accumulated depreciation	<u>(823,153)</u>	<u>(619,953)</u>
Total property and equipment, net	<u>\$ 483,939</u>	<u>\$ 553,557</u>

**UNITED NATIONS FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2002 and 2001**

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**5. Unexpended Grants**

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

	<u>2002</u>	<u>2001</u>
Less than one year	\$ 31,932,344	\$ 56,192,584
One year to five years	39,500,010	20,725,324
	<u>71,432,354</u>	<u>76,917,908</u>
Less: Discount	<u>(1,485,611)</u>	<u>(1,346,681)</u>
Total unexpended grants, net	<u>\$ 69,946,743</u>	<u>\$ 75,571,227</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 \$749,681 and \$717,344 was recognized for the years ended December 31, 2002 and 2001, on a straight-line basis. The future minimum lease payments of these leases are as follows:

Year ending December 31,	Amount
2003	\$ 864,878
2004	835,284
2005	871,859
2006	904,491
2007	528,315
Thereafter	<u>156,996</u>
	<u>\$ 4,161,823</u>

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

**UNITED NATIONS FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2002 and 2001**

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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:

	2002	2001
Women and Population	\$ 3,324,623	\$ 1,770,914
Children's Health	7,500,000	2,867,961
Environment	1,077,000	-
Other	100	135
Campaign to Eradicate Polio	236,189	1,175,214
Global AIDS Fund	2,444,330	450,299
Apathy is Lethal	20,938	-
Time restrictions	2,500,263	967,673
	<u>\$ 17,103,443</u>	<u>\$ 7,232,196</u>

**8. Employee Benefits**

Effective July 1998, UNF established a 401(k) plan for all UNF employees. UNF provides a 150% match of all employee contributions up to 4% of the employee's salary, which results in a maximum employer contribution of 6% of the employee's salary. For the years ended December 31, 2002 and 2001, UNF paid benefits under this plan of \$224,142 and \$156,084, respectively. Payments were subject to a cost-sharing agreement with BWF, which is further described in Note 9. The plan terminated effective January 2, 2002, and was replaced by a 403(b) plan with similar match and contribution properties of the former 401(k) plan.

**9. Related Parties**

**Relationship with United Nations**

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

**UNITED NATIONS FOUNDATION, INC.**  
**Notes to the Financial Statements**  
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and Rules of the United Nations. During 2002 and 2001, grants unconditionally approved to UNFIP and included in program services in the statement of activities and changes in net assets (deficit) were \$88,425,261 and \$90,428,592, respectively. Included in the grants unconditionally approved to UNFIP during 2002 and 2001 are administrative and project fees of \$2,489,000 and \$2,738,000, respectively. At December 31, 2002 and 2001, unexpended grants of \$69,959,004 and \$74,927,728, respectively are committed to UNFIP.

**Contribution**

Gift income in the amount of \$60,000,000 and \$74,809,403 was received through the donation of cash and securities from Ted Turner, Chairman of UNF Board of Directors, for the years ended December 31, 2002 and 2001, 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 2002 and 2001, respectively, \$753,571 and \$536,231 of cost was allocated from UNF to BWF and was recorded in accounts receivable from affiliate.

**10. Commitments**

At December 31, 2002, UNF had committed to provide grants in excess of its cash resources. During 2003, UNF has received approximately \$40,300,000 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 2004.