

UNITED NATIONS FOUNDATION, INC.
Financial Statements
December 31, 2004 and 2003

UNITED NATIONS FOUNDATION, INC.

Index

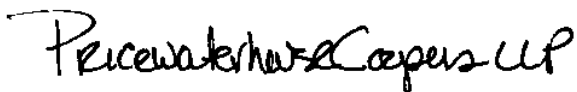
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Report of Independent Auditors

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 cash flows present fairly, in all material respects, the financial position of United Nations Foundation, Inc. (the "Foundation"), at December 31, 2004 and 2003 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 2004 and 2003 financial statements taken as a whole. The 2004 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.



May 6, 2005

UNITED NATIONS FOUNDATION, INC.
Statements of Financial Position
December 31, 2004 and 2003

	2004	2003
Assets		
Cash and cash equivalents	\$45,293,953	\$ 46,623,998
Accounts receivable:		
Due from affiliate	12,318,530	8,487,550
Other	310,143	280,816
Contribution receivable, net	18,637,015	21,819,107
Prepaid expenses and deposits	170,426	173,034
Property and equipment, net	548,613	635,736
	<u> </u>	<u> </u>
Total assets	<u>\$ 77,278,680</u>	<u>\$ 78,020,241</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 524,853	\$ 472,228
Accrued expenses	613,131	344,845
Unexpended grants, net	47,840,728	58,097,893
Amounts held for others	393,884	-
Deferred rent	299,502	349,256
	<u> </u>	<u> </u>
Total liabilities	49,672,098	59,264,222
Net assets		
Unrestricted net assets (excluding cumulative translation adjustment)	18,511,401	3,366,476
Cumulative translation adjustment	126	-
Temporarily restricted net assets	9,095,055	15,389,543
	<u> </u>	<u> </u>
Total net assets	27,606,582	18,756,019
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 77,278,680</u>	<u>\$ 78,020,241</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, 2004 and 2003

	2004	2003
Change in unrestricted net assets (deficit)		
Revenues:		
Contributions from related party	\$ 46,362,920	\$ 59,752,274
Other contributions	34,907,953	27,499,493
Interest and dividends	4,809,934	1,172,190
Other	93,302	72,968
Total unrestricted revenues	<u>86,174,109</u>	<u>88,496,925</u>
Net assets released from restriction	<u>58,040,346</u>	<u>45,831,953</u>
Total unrestricted revenues and other support	<u>144,214,455</u>	<u>134,328,878</u>
Expenses:		
Program services	115,562,285	94,718,822
General and administrative	2,239,922	1,915,967
Fund raising	11,267,323	9,325,330
Total expenses	<u>129,069,530</u>	<u>105,960,119</u>
Change in unrestricted net assets	15,144,925	28,368,759
Unrestricted net assets (deficit), beginning of year	<u>3,366,476</u>	<u>(25,002,283)</u>
Unrestricted net assets, end of year	<u>18,511,401</u>	<u>3,366,476</u>
Change in temporarily restricted net assets		
Contributions from third parties	51,745,858	44,118,053
Net assets released from restriction	<u>(58,040,346)</u>	<u>(45,831,953)</u>
Change in temporarily restricted net assets	<u>(6,294,488)</u>	<u>(1,713,900)</u>
Temporarily restricted net assets, beginning of year	<u>15,389,543</u>	<u>17,103,443</u>
Temporarily restricted net assets, end of year	<u>9,095,055</u>	<u>15,389,543</u>
Change in net assets (excluding cumulative translation adjustment)	8,850,437	26,654,859
Cumulative translation adjustment	126	-
Net assets (deficit), beginning of year	<u>18,756,019</u>	<u>(7,898,840)</u>
Net assets, end of year	<u>\$ 27,606,582</u>	<u>\$ 18,756,019</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, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Change in net assets	\$ 8,850,437	\$ 26,654,859
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	214,244	236,355
Loss on disposal of property	84	2,080
Donated securities	(46,368,473)	(59,752,274)
Changes in assets and liabilities:		
Increase in accounts receivable due from affiliate	(3,830,980)	(2,288,503)
(Increase) decrease in accounts receivable other	(29,327)	103,512
Decrease (increase) in contributions receivable, net	3,182,092	(2,655,138)
Decrease in prepaid expenses and deposits	2,608	38,570
Increase (decrease) in accounts payable	52,625	(130,059)
Increase in accrued expenses	268,286	88,222
Decrease in unexpended grants, net	(10,257,165)	(11,848,850)
Increase in amounts held for others	393,884	-
(Decrease) increase in deferred rent	(49,754)	107,427
Net cash used in operating activities	<u>(47,571,439)</u>	<u>(49,443,799)</u>
Cash flows from investing activities		
Proceeds from sale of securities	46,368,473	59,752,274
Purchases of property and equipment	(127,205)	(390,232)
Net cash provided by investing activities	<u>46,241,268</u>	<u>59,362,042</u>
Effect of cumulative translation adjustment on cash	<u>126</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(1,330,045)	9,918,243
Cash and cash equivalents, beginning of year	<u>46,623,998</u>	<u>36,705,755</u>
Cash and cash equivalents, end of year	<u>\$ 45,293,953</u>	<u>\$ 46,623,998</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, 2004 and 2003

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, 2004 and 2003

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 \$34,872,173 and \$27,476,168 for the years ending December 31, 2004 and 2003, 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.

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 2004 and 2003. 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, as well as a certificate of deposit valued at \$19,366 which matured in early 2005. Cash equivalents consist of funds held in a money market account which are available for immediate withdrawal without penalty. Included in cash and cash equivalents is \$393,884 that is held for others.

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. Land is recorded at fair value at the date of contribution.

Investments – securities

Investments are recorded at fair value based on quoted market prices. There were no investments held as of December 31, 2004 and 2003, 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, 2004 and 2003

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:

	<u>2004</u>	<u>2003</u>
Less than one year	\$ 16,638,936	\$ 19,512,922
One year to five years	2,131,859	3,123,137
Over five years	-	200,000
	<u>18,770,795</u>	<u>22,836,059</u>
Less: Discount	<u>(133,780)</u>	<u>(308,697)</u>
Net present value of contributions receivable	18,637,015	22,527,362
Less: Allowance for doubtful accounts	<u>-</u>	<u>(708,255)</u>
Total contributions receivable, net	<u>\$ 18,637,015</u>	<u>\$ 21,819,107</u>

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2004</u>	<u>2003</u>
Land	\$ 138,175	\$ 138,175
Leasehold improvements	525,459	483,252
Equipment and software	702,422	867,545
Furniture and fixtures	102,295	93,521
	<u>1,468,351</u>	<u>1,582,493</u>
Less: Accumulated depreciation	<u>(919,738)</u>	<u>(946,757)</u>
Total property and equipment, net	<u>\$ 548,613</u>	<u>\$ 635,736</u>

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

5. Unexpended Grants

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

	<u>2004</u>	<u>2003</u>
Less than one year	32,754,439	44,592,239
One year to five years	<u>15,848,490</u>	<u>14,033,734</u>
	48,602,929	58,625,973
Less: Discount	<u>(762,201)</u>	<u>(528,080)</u>
Total unexpended grants, net	<u>47,840,728</u>	<u>58,097,893</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 \$885,201 and \$998,349 was recognized for the years ended December 31, 2004 and 2003, 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
2005	\$ 989,431	\$ 42,157
2006	1,019,143	3,588
2007	545,534	-
2008	129,928	-
2009	27,068	-
Thereafter	<u>-</u>	<u>-</u>
	<u>\$ 2,711,104</u>	<u>\$ 45,745</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, 2004 and 2003

7. Temporarily Restricted Net Assets

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

	2004	2003
Apathy is Lethal	\$ 159,752	\$ 116,709
Global AIDS Fund	636,366	251,213
Campaign to Eradicate Polio	213,359	21,205
Children's Health	3,025,838	9,454,226
Environment	617,084	631,486
Peace, Security, and Human Rights	46,640	1,445,960
Women and Population	1,016,183	803,558
Indian Diaspora	810,135	-
Other	155,341	109,002
Time restrictions	2,414,357	2,556,184
	<u>\$ 9,095,055</u>	<u>\$ 15,389,543</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, 2004 and 2003, UNF paid benefits under this plan of \$248,129 and \$247,702, 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

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

the use of such funds. UNFIP is required to be administered in accordance with the Financial Regulations and Rules of the United Nations. During 2004 and 2003, grants unconditionally approved to UNFIP and included in program services in the statement of activities and changes in net assets were \$56,311,725 and \$49,197,925, respectively. Included in the grants unconditionally approved to UNFIP during 2004 and 2003 are administrative and project fees of \$2,675,400 and \$2,400,000, respectively. At December 31, 2004 and 2003, unexpended grants of \$40,118,716 and \$57,837,410, respectively are committed to UNFIP.

Contribution

Gift income in the amount of \$46,362,920 and \$59,752,274 was received through the donation of cash and securities from Ted Turner, Chairman of UNF Board of Directors, for the years ended December 31, 2004 and 2003, 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 2004 and 2003, respectively, \$989,646 and \$1,591,019 of cost was allocated from UNF to BWF and was recorded in accounts receivable from affiliate. At December 31, 2004 and 2003, the due from affiliate receivable was \$12,318,530 and \$8,487,550, respectively.

10. Commitments

At December 31, 2004, UNF had committed to provide grants in excess of its cash resources. Through April of 2005, UNF received approximately \$22,800,000 in contributions from Ted Turner, Chairman of the UNF Board of Directors, which provides the Foundation with the resources to continue its operations through January 2006.

Supplemental Schedule

UNITED NATIONS FOUNDATION, INC.
Schedule of Functional Expenses
For the Year Ended December 31, 2004

	Program Services					Supporting Services			Total Expenses	
	Children's Health	Environment	Peace, Security & Human Rights	Women & Population	Other	Total Program Services	General & Administrative	Fundraising		Total Supporting Services
Personnel Expenses	\$ 1,538,964	\$ 428,877	\$ 150,239	\$ 173,580	\$ 83,108	\$ 2,374,768	\$ 1,226,276	\$ 1,509,876	\$ 2,736,152	\$ 5,110,920
Professional Fees	13,456,814	80,961	28,361	13,056,292	15,689	26,638,117	191,130	8,927,644	9,118,774	35,756,891
Occupancy	260,796	72,679	25,460	29,415	14,084	402,434	221,631	186,212	407,843	810,277
Information Technology	19,628	5,470	1,916	2,214	1,060	30,288	121,352	14,957	136,309	166,597
Communications	28,483	7,938	2,781	3,213	1,538	43,953	19,942	22,333	42,275	86,228
Postage & Delivery	12,157	3,388	1,187	1,371	657	18,760	9,800	12,704	22,504	41,264
Printing & Reproduction	60,260	16,793	5,883	6,797	3,254	92,987	39,703	10,323	50,026	143,013
Insurance	-	-	-	-	-	-	33,061	-	33,061	33,061
Travel	296,027	82,497	28,899	33,389	15,986	456,798	114,025	302,082	416,107	872,905
Other Operating	506,949	141,276	49,490	57,179	27,377	782,271	263,002	281,192	544,194	1,326,465
Grant Expense	54,903,857	15,300,575	5,359,900	6,192,611	2,964,966	84,721,909	-	-	-	84,721,909
	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 71,083,935	\$ 16,140,454	\$ 5,654,116	\$ 19,556,061	\$ 3,127,719	\$ 115,562,285	\$ 2,239,922	\$ 11,267,323	\$ 13,507,245	\$ 129,069,530