

UNITED NATIONS FOUNDATION, INC.
Financial Statements
December 31, 2006 and 2005

UNITED NATIONS FOUNDATION, INC.

Index

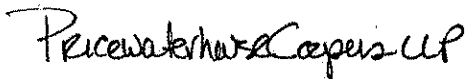
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Report of Independent Auditors

To the Board of Directors of
United Nations Foundation, Inc.

In our opinion, the accompanying 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, 2006 and 2005 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 2006 and 2005 financial statements taken as a whole. The 2006 and 2005 supplemental schedules of functional expenses are presented for the purpose of additional analysis and are 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.



March 9, 2007

UNITED NATIONS FOUNDATION, INC.
Statements of Financial Position
As of December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 61,384,746	\$ 50,369,307
Accounts receivable:		
Due from affiliate	765,127	12,285,682
Other, less allowance for doubtful accounts of \$5,931 and \$0, respectively	1,939,161	1,172,231
Contributions receivable, net	160,507,106	18,817,060
Prepaid expenses and deposits	211,407	193,056
Property and equipment, net	<u>1,940,864</u>	<u>449,784</u>
Total assets	<u>\$ 226,748,411</u>	<u>\$ 83,287,120</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,251,095	\$ 670,825
Accrued expenses	747,875	446,182
Unexpended grants, net	178,377,975	39,952,769
Amounts held for others	-	9,180
Deferred rent	<u>1,148,767</u>	<u>219,907</u>
Total liabilities	<u>181,525,712</u>	<u>41,298,863</u>
Net assets		
Unrestricted net assets (excluding cumulative translation adjustment)	23,985,978	22,258,266
Cumulative translation adjustment	(300)	(4,162)
Temporarily restricted net assets	<u>21,237,021</u>	<u>19,734,153</u>
Total net assets	<u>45,222,699</u>	<u>41,988,257</u>
Total liabilities and net assets	<u>\$ 226,748,411</u>	<u>\$ 83,287,120</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Change in unrestricted net assets		
Revenues:		
Contributions from a related party	\$ 37,295,719	\$ 39,579,108
Donated services and other contributions	35,354	13,992,694
Interest and dividends	2,902,007	4,075,459
Other	30,254	65,680
Total unrestricted revenues	<u>40,263,334</u>	<u>57,712,941</u>
Net assets released from restriction	201,482,948	147,961,784
Total unrestricted revenues and other support	<u>241,746,282</u>	<u>205,674,725</u>
Expenses:		
Program services	233,207,489	192,410,523
General and administrative	3,323,083	3,132,360
Fund raising	3,487,998	6,384,977
Total expenses	<u>240,018,570</u>	<u>201,927,860</u>
Change in unrestricted net assets	1,727,712	3,746,865
Unrestricted net assets, beginning of year	22,258,266	18,511,401
Unrestricted net assets, end of year	<u>23,985,978</u>	<u>22,258,266</u>
Change in temporarily restricted net assets		
Contributions from third parties	202,022,192	158,600,882
Contributions from a related party	750,000	-
Interest and dividends	213,624	-
Net assets released from restriction	<u>(201,482,948)</u>	<u>(147,961,784)</u>
Change in temporarily restricted net assets	1,502,868	10,639,098
Temporarily restricted net assets, beginning of year	19,734,153	9,095,055
Temporarily restricted net assets, end of year	<u>21,237,021</u>	<u>19,734,153</u>
Change in net assets (excluding change in translation adjustment)	3,230,580	14,385,963
Change in translation adjustment	3,862	(4,288)
Net assets, beginning of year (including cumulative translation adjustment)	<u>41,988,257</u>	<u>27,606,582</u>
Net assets, end of year	<u>\$ 45,222,699</u>	<u>\$ 41,988,257</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ 3,230,580	\$ 14,385,963
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	220,297	239,755
Bad debt expense	5,931	-
Discount on contributions receivable	1,389,361	-
Discount on grant payable	(3,306,183)	-
Gain on disposal of property	-	(2,333)
Accretion of deferred rent	(27,839)	-
Donated securities	(37,333,176)	(39,599,971)
Changes in assets and liabilities:		
Decrease in accounts receivable due from affiliate	11,520,555	32,848
Increase in accounts receivable other	(772,861)	(862,088)
Increase in contributions receivable	(143,079,407)	(180,045)
Increase in prepaid expenses and deposits	(18,351)	(22,630)
Increase in accounts payable	580,270	145,972
Increase (decrease) in accrued expenses	301,693	(166,949)
Increase (decrease) in unexpended grants	141,731,389	(7,887,959)
Decrease in amounts held for others	(9,180)	(384,704)
Increase (decrease) in deferred rent	956,699	(79,595)
Net cash used in operating activities	<u>(24,610,222)</u>	<u>(34,381,736)</u>
Cash flows from investing activities		
Proceeds from sale of securities	37,333,176	39,599,971
Purchases of property and equipment	<u>(1,711,377)</u>	<u>(138,593)</u>
Net cash provided by investing activities	<u>35,621,799</u>	<u>39,461,378</u>
Effect of cumulative translation adjustment on cash	<u>3,862</u>	<u>(4,288)</u>
Net increase in cash and cash equivalents	11,015,439	5,075,354
Cash and cash equivalents, beginning of year	<u>50,369,307</u>	<u>45,293,953</u>
Cash and cash equivalents, end of year	<u>\$ 61,384,746</u>	<u>\$ 50,369,307</u>

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

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2006 and 2005

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 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 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, \$2,485,744 and \$3,491,868 have been designated as grant matching funds as of December 31, 2006 and 2005, respectively.

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.

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

UNITED NATIONS FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2006 and 2005

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, 2006 and 2005, UNF has conditional promises to give of \$44,643,060 and \$10,312,800, respectively.

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.

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 donated services of \$12,958,626 for the year ended December 31, 2005, 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. There were no donated services for the year ended December 31, 2006.

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 2006 and 2005. This income is recorded as interest income at the time it is reported by UNFIP 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. Included in cash and cash equivalents is \$0 and \$9,180 for the years ended December 31, 2006 and 2005, respectively, that is held for others.

UNITED NATIONS FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2006 and 2005

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

Leases and Leasehold improvements

During 2006, UNF entered into an agreement to lease additional office space in Washington, DC as its new headquarters facility. This office space will replace the current lease due to expire in June 2007. UNF continues to utilize a portion of the existing leased office space until the lease expiration in 2007.

The new office lease is a ten-year agreement that 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 the new lease, UNF obtained a letter of credit amounting to \$95,000 in lieu of a security deposit for the building in 2006.

Landlord Allowance

As an incentive for entering into the new office lease agreement, UNF received a cash allowance of \$624,840 from the landlord. The value of this allowance payment is amortized over the eight-year life of the lease. As of December 31, 2006, \$597,001 is included in deferred rent on the statement of financial position as unamortized landlord allowance.

Investments – securities

Investments are recorded at fair value based on quoted market prices. There were no investments held as of December 31, 2006 and 2005, 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
December 31, 2006 and 2005

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, 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:

	2006	2005
Less than one year	\$ 159,471,077	\$ 19,033,206
One year to five years	2,425,390	-
	<u>161,896,467</u>	<u>19,033,206</u>
Less: Discount to net present value	(1,389,361)	-
Net present value of contributions receivable	160,507,106	19,033,206
Less: Allowance for doubtful accounts	-	(216,146)
Total of contributions receivable, net	<u>\$ 160,507,106</u>	<u>\$ 18,817,060</u>

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2006	2005
Land	\$ 138,175	\$ 138,175
Leasehold improvements	2,244,450	568,719
Equipment and software	661,349	747,098
Furniture and fixtures	103,360	103,360
	<u>3,147,334</u>	<u>1,557,352</u>
Less: Accumulated depreciation	(1,206,470)	(1,107,568)
Total property and equipment, net	<u>\$ 1,940,864</u>	<u>\$ 449,784</u>

UNITED NATIONS FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2006 and 2005

5. Unexpended Grants

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

	2006	2005
Less than one year	\$ 112,608,104	\$ 28,381,673
One year to five years	70,117,377	12,612,419
	<u>182,725,481</u>	<u>40,994,092</u>
Less: Discount to net present value	(4,347,506)	(1,041,323)
Total unexpended grants, net	<u>\$ 178,377,975</u>	<u>\$ 39,952,769</u>

6. Leases

UNF leases office space under operating leases expiring at various dates through 2017. The office leases are subject to annual escalation amounts as set forth in the lease agreements. Rent expense of \$1,298,164 and \$900,506 was recognized for the years ended December 31, 2006 and 2005, respectively, 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
2007	1,631,317	1,014
2008	1,296,561	-
2009	1,222,942	-
2010	1,225,731	-
2011	1,256,480	-
Thereafter	4,160,140	-
	<u>\$ 10,793,171</u>	<u>\$ 1,014</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
December 31, 2006 and 2005

7. Temporarily Restricted Net Assets

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

	2006	2005
Apathy is Lethal	\$ 185,460	\$ 172,393
Global AIDS Fund	2,571,611	1,718,953
Campaign to Eradicate Polio	32,457	15,237
Children's Health	5,703,489	9,569,239
Environment	976,134	1,013,214
Peace, Security, and Human Rights	5,422	3,949
Women and Population	2,621,076	143,137
Indian Diaspora	7,197	62,814
Malaria	3,696,628	510,663
Disaster Relief	599,537	406,539
Vodafone Partnership	4,729,255	5,723,727
Other	108,755	394,288
	<u>\$ 21,237,021</u>	<u>\$ 19,734,153</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, 2006 and 2005, UNF paid benefits under this plan of \$296,738 and \$286,449, 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

UNITED NATIONS FOUNDATION, INC.

Notes to the Financial Statements

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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 2006 and 2005, grants unconditionally approved to UNFIP and included in program services in the statement of activities and changes in net assets were \$225,753,351 and \$157,633,482, respectively. Included in the grants unconditionally approved to UNFIP during 2006 and 2005 are administrative and project fees of \$1,500,000 and \$2,675,400, respectively. At December 31, 2006 and 2005, unexpended grants of \$181,469,113 and \$39,889,861, respectively are committed to UNFIP.

Contribution

Gift income in the amount of \$37,295,719 and \$39,579,108 was received through the donation of cash and securities from Ted Turner, Chairman of UNF Board of Directors, for the years ended December 31, 2006 and 2005, respectively. Contributions of \$750,000 were also received through the donation of cash from the BWF.

Grants

UNF approved grants totaling \$575,000 to affiliated organizations during 2006. At December 31, 2006, no unexpended grants remained payable to affiliated organizations.

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 time incurred, or labor costs, depending on the type of expenditure. In 2006 and 2005, respectively, \$522,796 and \$472,685 of cost was allocated from UNF to BWF and was recorded in accounts receivable from affiliate. At December 31, 2006 and 2005, the due from affiliate receivable was \$765,127 and \$12,285,682, respectively.

Supplemental Schedules

UNITED NATIONS FOUNDATION, INC.
Schedule of Functional Expenses
For the Year Ended December 31, 2006

	Program Services						Supporting Services			Total Expenses
	Children's Health	Environment	Peace, Security & Human Rights	Women & Population	UN Strengthening	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	
Personnel Expenses	\$ 2,543,349	\$ 120,952	\$ 18,439	\$ 17,956	\$ 140,236	\$ 2,840,932	\$ 1,907,478	\$ 1,386,883	\$ 3,894,361	\$ 6,735,293
Professional Fees	896,011	42,611	6,496	6,326	49,404	1,000,848	460,512	591,422	1,051,934	2,052,782
Occupancy	578,248	27,499	4,192	4,083	31,884	645,906	354,095	298,163	652,258	1,298,164
Information Technology	123,417	5,869	895	871	6,805	137,857	133,081	15,473	148,554	286,411
Communications	69,310	3,296	502	489	3,822	77,419	52,810	43,272	96,082	173,501
Postage & Delivery	20,044	953	145	142	1,105	22,389	12,221	18,085	30,306	52,695
Printing & Reproduction	68,011	3,235	493	480	3,750	75,969	22,850	17,329	40,179	116,148
Insurance	20,638	981	150	146	1,138	23,053	12,638	10,642	23,280	46,333
Travel	307,846	14,640	2,232	2,174	16,974	343,866	99,823	332,959	432,782	776,648
Other Operating	325,707	15,489	2,361	2,300	17,959	363,816	267,575	173,770	441,345	805,161
Grant Expense	203,826,786	9,693,223	1,477,666	1,439,108	11,238,651	227,675,434	-	-	-	227,675,434
Total Expenses	\$ 208,779,367	\$ 9,928,748	\$ 1,513,571	\$ 1,474,075	\$ 11,511,728	\$ 233,207,489	\$ 3,323,083	\$ 3,487,998	\$ 6,811,081	\$ 240,018,570

UNITED NATIONS FOUNDATION, INC.
Schedule of Functional Expenses
For the Year Ended December 31, 2005

	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	Total Expenses	
Personnel Expenses	\$ 2,576,715	\$ 396,418	\$ 39,423	\$ 112,148	\$ 251,616	\$ 3,376,320	\$ 1,908,946	\$ 1,792,903	\$ 3,701,849	\$ 7,078,169	
Professional Fees	5,371,123	64,846	6,449	4,823,745	41,159	10,307,322	261,034	3,492,613	3,753,647	14,060,969	
Occupancy	349,074	53,704	5,341	15,193	34,086	457,398	237,412	205,696	443,108	900,506	
Information Technology	23,327	3,589	357	1,015	2,278	30,566	168,007	16,961	184,968	215,534	
Communications	57,744	8,884	883	2,513	5,639	75,663	39,626	37,169	76,795	152,458	
Postage & Delivery	20,131	3,097	308	876	1,966	26,378	13,897	12,844	26,741	53,119	
Printing & Reproduction	60,842	9,360	931	2,648	5,942	79,723	34,230	11,122	45,352	125,075	
Insurance	18,081	2,781	277	787	1,766	23,692	12,297	10,654	22,951	46,643	
Travel	381,395	58,675	5,835	16,600	37,243	499,748	188,249	324,584	512,833	1,012,581	
Other Operating	1,095,970	168,611	16,768	47,701	107,021	1,436,071	268,662	480,431	749,093	2,185,164	
Grant Expense	134,392,901	20,675,842	2,056,190	5,849,260	13,123,449	176,097,642	-	-	-	176,097,642	
Total Expenses	\$ 144,347,303	\$ 21,445,807	\$ 2,132,762	\$ 10,872,486	\$ 13,612,165	\$ 192,410,523	\$ 3,132,360	\$ 6,384,977	\$ 9,517,337	\$ 201,927,860	