

**BETTER WORLD FUND, INC.**

**Financial Statements**

**December 31, 2002 and 2001**

# BETTER WORLD FUND, INC.

## Index

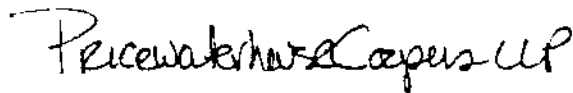
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**Report of Independent Auditors**

To the Board of Directors of  
Better World Fund, 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 Better World Fund, Inc. ("BWF"), 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 BWF'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 except for  
Note 6 as to which the  
date is July 14, 2003

**BETTER WORLD FUND, INC.**  
**Statements of Financial Position**  
**December 31, 2002 and 2001**

	2002	2001
<b>Assets</b>		
Cash and cash equivalents	\$ 8,186,874	\$ 309,758
Accounts receivable	334,028	4,965
Property and equipment, net of accumulated depreciation of \$103,770 in 2002 and \$86,560 in 2001	30,720	32,813
Total assets	<u>\$ 8,551,622</u>	<u>\$ 347,536</u>
<b>Liabilities and Net Assets (Deficit)</b>		
Accounts payable and accrued expenses	\$ 27,367	\$ 69,671
Due to affiliate	6,199,047	2,810,482
Unexpended grants, net	5,350,855	5,894,037
Total liabilities	<u>11,577,269</u>	<u>8,774,190</u>
Net assets (deficit)		
Unrestricted net assets (deficit)	(3,958,277)	(8,426,654)
Temporarily restricted net assets	932,630	-
Total net assets (deficit)	<u>(3,025,647)</u>	<u>(8,426,654)</u>
Total liabilities and net assets (deficit)	<u>\$ 8,551,622</u>	<u>\$ 347,536</u>

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

**BETTER WORLD FUND, 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	\$ 16,000,000	\$ 5,592,813
Other contributions	239	116
Interest and dividends	108,266	110,865
Total unrestricted revenues	<u>16,108,505</u>	<u>5,703,794</u>
Net assets released from restriction	4,852,727	1,797,717
Total unrestricted revenues and other support	<u>20,961,232</u>	<u>7,501,511</u>
Expenses		
Program services	16,000,360	15,325,509
General and administrative	248,560	222,733
Fundraising	243,935	141,523
Total expenses	<u>16,492,855</u>	<u>15,689,765</u>
Change in unrestricted net assets	4,468,377	(8,188,254)
Unrestricted net assets, beginning of year	(8,426,654)	(238,400)
Unrestricted net assets, end of year	<u>(3,958,277)</u>	<u>(8,426,654)</u>
<b>Change in temporarily restricted net assets</b>		
Contributions from third parties	5,785,357	1,797,717
Net assets released from restriction	(4,852,727)	(1,797,717)
Change in temporarily restricted net assets	932,630	-
Temporarily restricted net assets, beginning of year	-	-
Temporarily restricted net assets, end of year	<u>932,630</u>	<u>-</u>
<b>Change in net assets</b>	5,401,007	(8,188,254)
<b>Net assets (deficit), beginning of year</b>	(8,426,654)	(238,400)
<b>Net assets (deficit), end of year</b>	<u>\$ (3,025,647)</u>	<u>\$ (8,426,654)</u>

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

**BETTER WORLD FUND, 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	\$ 5,401,007	\$ (8,188,254)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	17,979	12,214
Donated securities	-	(5,592,813)
Loss on disposal of property and equipment	-	1,550
Changes in assets and liabilities:		
Increase in accounts receivables	(329,063)	(4,965)
Increase (decrease) in accounts payable and accrued expenses	(42,304)	25,155
Increase (decrease) in unexpended grants	(543,182)	4,794,237
Increase in due to affiliate	3,388,565	1,383,118
Net cash used in operating activities	<u>7,893,002</u>	<u>(7,569,758)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of securities	-	5,592,813
Proceeds from disposal of property	372	
Purchases of property and equipment	(16,258)	-
Net cash provided by investing activities	<u>(15,886)</u>	<u>5,592,813</u>
<b>Net decrease in cash and cash equivalents</b>	7,877,116	(1,976,945)
<b>Cash and cash equivalents, beginning of year</b>	<u>309,758</u>	<u>2,286,703</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 8,186,874</u>	<u>\$ 309,758</u>

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

**BETTER WORLD FUND, 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 Better World Fund, Inc. ("BWF") and its sister organization, United Nations Foundation, Inc. ("UNF"), to support the efforts of the United Nations ("UN"). BWF was formed to support charitable causes through raising funds from the general public to enable it to carry on a discretionary grant-making program; and educating the public regarding the UN and its work in the areas of: 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.

**Contributions**

BWF 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.

During 2001, BWF changed the administration of the Adopt-a-Minefield program whereby, BWF has the primary role in fundraising efforts and provides acknowledgements to the donors. In addition, BWF entered into a contract with the United Nations Development Programme ("UNDP") to perform the activities related to mine action programs. BWF has full discretionary power to choose the beneficiary and communicates this right to redirect to the donor. Since BWF has discretion to choose the beneficiary of the assets, in accordance with Statement of Financial Accounting Standards No. 136 "*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*," BWF recorded \$3,154,993 and \$1,387,717 in 2002 and 2001, respectively, as contribution revenue in the statement of activities and changes in net assets (deficit).

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
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**Grants**

The amount for which BWF is obligated is recorded when the project has been approved by its Board of Directors. 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.

**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.

**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 or at the realized value of the security if sold within seven days of the donation date.

**Income Taxes**

BWF 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 BWF to a concentration of credit risk, consist of demand deposits placed with financial institutions. BWF 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, BWF held funds with financial institutions of \$8,140,029 and \$213,688, respectively, in excess of the FDIC insurance limit.

**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.



**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2002 and 2001**

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**3. 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	\$ 5,132,928	\$ 4,169,995
One year to five years	<u>225,000</u>	<u>1,874,068</u>
	5,357,928	6,044,063
Less: Discount	<u>(7,073)</u>	<u>(150,026)</u>
Total unexpended grants, net	<u>\$ 5,350,855</u>	<u>\$ 5,894,037</u>

**4. Temporarily Restricted Net Assets**

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

	<u>2002</u>	<u>2001</u>
Energy Future Campaign	\$ 295,000	\$ -
AIDS Relief in Africa	637,500	-
Other	<u>130</u>	<u>-</u>
	<u>\$ 932,630</u>	<u>\$ -</u>

**5. Related Parties**

**Contributions**

Gift income in the amount of \$16,000,000 and \$5,592,813 in 2002 and 2001, respectively, was received through the donation of cash and securities from Ted Turner, Chairman of the BWF Board of Directors.

During 2002, BWF also received a contribution of \$250,000 from an affiliated organization.

**Grants**

BWF approved grants totaling \$890,000 to an affiliated organization during 2002.

**Accounts receivable**

At December 31, 2002, BWF was owed \$329,190 from an affiliated organization, related to a cost sharing arrangement for the Energy Future Campaign.

**BETTER WORLD FUND, INC.**  
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**Cost-sharing agreement**

The United Nations Foundation, Inc. incurs certain costs of operations which are shared by BWF, such as personnel, rent, travel and other operating costs. UNF and BWF entered into a cost-sharing agreement in 1998 whereby operating costs will be shared based upon the relative portions of annual grant making, employee time incurred, or labor costs, depending on the type of expenditure. In 2002 and 2001, respectively, \$753,571 and \$536,230 of cost was allocated from UNF to BWF and is recorded in due to affiliate. At December 31, 2002 and 2001, the due to affiliate payable was \$6,199,097 and \$2,810,482, respectively. During 2002, BWF borrowed funds from UNF to cover operating costs, which will be subsequently repaid in 2003.

**6. Commitments**

On December 31, 2002, BWF had obligations in excess of its cash resources. On July 14, 2003, BWF received approximately \$19,865,000 in contribution from Ted Turner, Chairman of the BWF Board of Directors, which provides BWF with the resources to continue its operations through January 2004.