

**BETTER WORLD FUND, INC.**  
**Financial Statements**  
**December 31, 2005 and 2004**

# BETTER WORLD FUND, INC.

## Index

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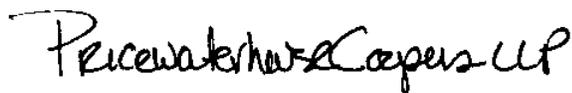
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**Report of Independent Auditors**

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 nets assets, and cash flows present fairly, in all material respects, the financial position of Better World Fund (“BWF”), at December 31, 2005 and 2004 and the changes in its nets 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. 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 2005 and 2004 financial statements taken as a whole. The supplemental schedules of functional expenses for the years ended December 31, 2005 and 2004 are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the BWF. 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.



August 1, 2006

**BETTER WORLD FUND, INC.**  
**Statements of Financial Position**  
**December 31, 2005 and 2004**

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	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 26,053,112	\$ 22,611,366
Accounts receivable	-	29,024
Contributions receivable	1,500,117	75,117
Property and equipment, net	<u>68,425</u>	<u>70,955</u>
Total assets	<u>\$ 27,621,654</u>	<u>\$ 22,786,462</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 259,032	\$ 1,029,251
Due to affiliate	12,285,682	12,318,530
Unexpended grants, net	<u>578,277</u>	<u>2,240,530</u>
Total liabilities	13,122,991	15,588,311
<b>Net assets</b>		
Unrestricted net assets	5,536,526	653,475
Temporarily restricted net assets	<u>8,962,137</u>	<u>6,544,676</u>
Total net assets	14,498,663	7,198,151
Total liabilities and net assets	<u>\$ 27,621,654</u>	<u>\$ 22,786,462</u>

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

**BETTER WORLD FUND, INC.**  
**Statements of Activities and Changes in Net Assets**  
**For the years ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Change in unrestricted net assets (deficit)</b>		
Revenues:		
Contributions from related party	\$ 13,169,103	\$ 15,475,617
Other contributions	44	459
Interest and dividends	596,551	161,066
Other	-	268
Total unrestricted revenues	<u>13,765,698</u>	<u>15,637,410</u>
Net assets released from restriction	<u>3,550,736</u>	<u>3,990,262</u>
Total unrestricted revenues and other support	<u>17,316,434</u>	<u>19,627,672</u>
Expenses:		
Program services	12,089,497	17,628,793
General and administrative	212,922	405,499
Fundraising	130,964	343,734
Total expenses	<u>12,433,383</u>	<u>18,378,026</u>
Change in unrestricted net assets	4,883,051	1,249,646
Unrestricted net assets (deficit), beginning of year	<u>653,475</u>	<u>(596,171)</u>
Unrestricted net assets, end of year	<u>5,536,526</u>	<u>653,475</u>
<b>Change in temporarily restricted net assets</b>		
Contributions from third parties	5,968,197	9,340,324
Net assets released from restriction	<u>(3,550,736)</u>	<u>(3,990,262)</u>
Change in temporarily restricted net assets	2,417,461	5,350,062
Temporarily restricted net assets, beginning of year	<u>6,544,676</u>	<u>1,194,614</u>
Temporarily restricted net assets, end of year	<u>8,962,137</u>	<u>6,544,676</u>
<b>Change in net assets</b>	7,300,512	6,599,708
<b>Net assets, beginning of year</b>	<u>7,198,151</u>	<u>598,443</u>
<b>Net assets, end of year</b>	<u>\$ 14,498,663</u>	<u>\$ 7,198,151</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, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 7,300,512	\$ 6,599,708
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,672	27,566
Donated securities	(13,169,103)	(15,477,558)
(Gain) loss on disposal of property and equipment	(361)	10
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	29,024	(2,842)
Increase in contributions receivables	(1,425,000)	(74,648)
(Decrease) increase in accounts payable and accrued expenses	(770,219)	636,335
Decrease in unexpended grants	(1,662,253)	(2,947,852)
(Decrease) increase in due to affiliate	(32,848)	3,830,980
Net cash used in operating activities	<u>(9,718,576)</u>	<u>(7,408,301)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of securities	13,169,103	15,477,558
Purchases of property and equipment	(8,781)	(16,850)
Net cash provided by investing activities	<u>13,160,322</u>	<u>15,460,708</u>
<b>Net increase in cash and cash equivalents</b>	3,441,746	8,052,407
<b>Cash and cash equivalents, beginning of year</b>	<u>22,611,366</u>	<u>14,558,959</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 26,053,112</u>	<u>\$ 22,611,366</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, 2005 and 2004**

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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 in accordance with generally accepted accounting principles.

**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.

BWF Administers 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 \$3,582,672 and \$3,022,784 in 2005 and 2004, respectively, as contribution revenue in the statement of activities and changes in net assets (deficit).

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2005 and 2004**

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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 using the half-year convention 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, 2005 and 2004, 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.

**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.

**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, 2005 and 2004**

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**3. Contributions Receivable**

As of December 31, 2005 and 2004, expected future cash receipts from contributions receivable were \$1,500,117 and \$75,117, respectively, and were expected to be received in less than one year.

**4. Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2005</u>	<u>2004</u>
Leasehold improvements	\$ 78,467	\$ 76,428
Equipment and software	89,785	90,284
Furniture and fixtures	7,871	7,821
	<u>176,123</u>	<u>174,533</u>
Less: Accumulated depreciation	<u>(107,698)</u>	<u>(103,578)</u>
Total property and equipment, net	<u>\$ 68,425</u>	<u>\$ 70,955</u>

**5. Unexpended Grants**

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

	<u>2005</u>	<u>2004</u>
Less than one year	\$ 578,277	\$ 2,002,018
One year to five years	-	250,000
	<u>578,277</u>	<u>2,252,018</u>
Less: Discount	<u>-</u>	<u>(11,488)</u>
Total unexpended grants, net	<u>\$ 578,277</u>	<u>\$ 2,240,530</u>

**BETTER WORLD FUND, INC.**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2005 and 2004**

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**6. Temporarily Restricted Net Assets**

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

	2005	2004
Adopt-A-Minefield	\$ 2,705,549	\$ 1,756,546
Adolescent Girls Nike Foundation Partnership	4,492,000	4,772,000
Global Water Challenge	1,500,000	-
Energy Future Coalition	93,933	-
Other	170,655	16,130
Total temporarily restricted net assets	\$ 8,962,137	\$ 6,544,676

**7. Related Parties**

**Contributions**

Gift income in the amount of \$13,169,103 and \$15,475,617 in 2005 and 2004, respectively, was received through the donation of cash and securities from Ted Turner, Chairman of the BWF Board of Directors.

During 2005 and 2004, BWF also received contributions from an affiliated organization of \$250,000.

**Grants**

BWF approved grants totaling \$20,000 and \$0, respectively, to affiliated organizations during 2005 and 2004. At December 31, 2005 and 2004, unexpended grants of \$318,750, remained payable to affiliated organizations.

**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 2005 and 2004, respectively, \$472,685 and \$989,646 of cost was allocated from UNF to BWF and is recorded in due to affiliate. At December 31, 2005 and 2004, the due to affiliate payable was \$12,285,682 and \$12,318,530, respectively.

## **Supplemental Schedules**

**BETTER WORLD FUND, INC.**  
**Schedule of Functional Expenses**  
**For the year ended December 31, 2005**

	Program Services				Supporting Services			Total Expenses
	UN Public Awareness Initiative	UN Institutional Strengthening	Program-Related Initiatives	Total Program	General & Administrative	Fundraising	Total Supporting Services	
Personnel Expenses	\$ 47,286	\$ 28,169	\$ 84,933	\$ 160,388	\$ 84,128	\$ 90,069	\$ 174,197	\$ 334,585
Professional Fees	5,997	3,572	10,771	20,340	30,469	12,715	43,184	63,524
Occupancy	-	-	-	-	42,432	-	42,432	42,432
Information Technology	429	255	770	1,454	7,759	942	8,701	10,155
Communications	1,057	630	1,898	3,585	1,642	1,957	3,599	7,184
Postage & Delivery	368	219	661	1,248	603	652	1,255	2,503
Printing & Reproduction	1,124	670	2,020	3,814	970	1,110	2,080	5,894
Insurance	-	-	-	-	2,198	-	2,198	2,198
Travel	6,970	4,152	12,519	23,641	8,304	15,794	24,098	47,739
Other Operating	4,840	2,883	8,694	16,417	34,417	7,725	42,142	58,559
Grant Expense	6,210,973	1,406,588	4,241,049	11,858,610	-	-	-	11,858,610
Total Expenses	<u>\$ 6,279,044</u>	<u>\$ 1,447,138</u>	<u>\$ 4,363,315</u>	<u>\$ 12,089,497</u>	<u>\$ 212,922</u>	<u>\$ 130,964</u>	<u>\$ 343,886</u>	<u>\$ 12,433,383</u>

**BETTER WORLD FUND, INC.**  
**Schedule of Functional Expenses**  
**For the year ended December 31, 2004**

	Program Services				Supporting Services			Total Expenses
	UN Public Awareness Initiative	UN Institutional Strengthening	Program-Related Initiatives	Total Program	General & Administrative	Fundraising	Total Supporting Services	
Personnel Expenses	\$ 93,119	\$ 32,938	\$ 181,598	\$ 307,655	\$ 144,469	\$ 206,798	\$ 351,267	\$ 658,922
Professional Fees	199,343	70,512	388,754	658,609	60,369	60,385	120,754	779,363
Occupancy	-	-	-	-	104,257	-	104,257	104,257
Information Technology	3,035	1,074	5,920	10,029	16,280	3,805	20,085	30,114
Communications	4,087	1,446	7,971	13,504	3,877	4,880	8,757	22,261
Postage & Delivery	815	288	1,589	2,692	1,232	1,771	3,003	5,695
Printing & Reproduction	7,693	2,721	15,004	25,418	5,854	6,081	11,935	37,353
Insurance	-	-	-	-	4,254	-	4,254	4,254
Travel	19,081	6,750	37,212	63,043	13,432	41,518	54,950	117,993
Other Operating	28,824	10,196	56,213	95,233	51,475	18,496	69,971	165,204
Grant Expense	8,831,939	1,170,018	6,450,653	16,452,610	-	-	-	16,452,610
<b>Total Expenses</b>	<b>\$ 9,187,936</b>	<b>\$ 1,295,943</b>	<b>\$ 7,144,914</b>	<b>\$ 17,628,793</b>	<b>\$ 405,499</b>	<b>\$ 343,734</b>	<b>\$ 749,233</b>	<b>\$ 18,378,026</b>