

BETTER WORLD FUND, INC.
Financial Statements
December 31, 2006 and 2005

BETTER WORLD FUND, INC.

Index

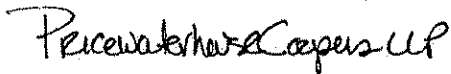
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Report of Independent Auditors

To the Board of Directors of
Better World Fund, Inc.

In our opinion, the accompanying 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 Better World Fund ("BWF"), 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 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 2006 and 2005 financial statements taken as a whole. The 2006 and 2005 supplemental schedule of functional expenses are presented for the purpose of additional analysis and are not required parts 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.



March 9, 2007

BETTER WORLD FUND, INC.
Statements of Financial Position
As of December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 19,751,610	\$ 26,053,112
Contributions receivable, net	1,740,665	1,500,117
Property and equipment, net	57,957	68,425
Total assets	<u>\$ 21,550,232</u>	<u>\$ 27,621,654</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 538,277	\$ 259,032
Due to affiliate	765,127	12,285,682
Unexpended grants	1,725,478	578,277
Total liabilities	<u>3,028,882</u>	<u>13,122,991</u>
Net assets		
Unrestricted net assets	8,481,362	5,536,526
Temporarily restricted net assets	10,039,988	8,962,137
Total net assets	<u>18,521,350</u>	<u>14,498,663</u>
Total liabilities and net assets	<u>\$ 21,550,232</u>	<u>\$ 27,621,654</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Change in unrestricted net assets		
Revenues:		
Contributions from a related party	\$ 12,500,000	\$ 13,169,103
Other contributions	119	44
Interest and dividends	987,273	596,551
Total unrestricted revenues	<u>13,487,392</u>	<u>13,765,698</u>
Net assets released from restriction	6,300,223	3,550,736
Total unrestricted revenues and other support	<u>19,787,615</u>	<u>17,316,434</u>
Expenses:		
Program services	16,444,978	12,089,497
General and administrative	213,173	212,922
Fundraising	184,628	130,964
Total expenses	<u>16,842,779</u>	<u>12,433,383</u>
Change in unrestricted net assets	2,944,836	4,883,051
Unrestricted net assets, beginning of year	5,536,526	653,475
Unrestricted net assets, end of year	<u>8,481,362</u>	<u>5,536,526</u>
Change in temporarily restricted net assets		
Contributions from a related party	721,439	250,000
Contributions from third parties	6,472,826	5,718,197
Interest and dividends	183,809	-
Net assets released from restriction	<u>(6,300,223)</u>	<u>(3,550,736)</u>
Change in temporarily restricted net assets	1,077,851	2,417,461
Temporarily restricted net assets, beginning of year	8,962,137	6,544,676
Temporarily restricted net assets, end of year	<u>10,039,988</u>	<u>8,962,137</u>
Change in net assets	4,022,687	7,300,512
Net assets, beginning of year	<u>14,498,663</u>	<u>7,198,151</u>
Net assets, end of year	<u>\$ 18,521,350</u>	<u>\$ 14,498,663</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ 4,022,687	\$ 7,300,512
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,344	11,672
Discount on contributions receivable	109,335	-
Donated securities	-	(13,169,103)
Loss on disposal of property and equipment	-	(361)
Changes in assets and liabilities:		
Decrease in accounts receivables	-	29,024
Increase in contributions receivables	(349,883)	(1,425,000)
Increase (decrease) in accounts payable and accrued expenses	279,245	(770,219)
Increase (decrease) in unexpended grants	1,147,201	(1,662,253)
Decrease in due to affiliate	<u>(11,520,555)</u>	<u>(32,848)</u>
Net cash used in operating activities	<u>(6,299,626)</u>	<u>(9,718,576)</u>
Cash flows from investing activities		
Proceeds from sale of securities	-	13,169,103
Purchases of property and equipment	<u>(1,876)</u>	<u>(8,781)</u>
Net cash (used in) provided by investing activities	<u>(1,876)</u>	<u>13,160,322</u>
Net (decrease) increase in cash and cash equivalents	(6,301,502)	3,441,746
Cash and cash equivalents, beginning of year	<u>26,053,112</u>	<u>22,611,366</u>
Cash and cash equivalents, end of year	<u>\$ 19,751,610</u>	<u>\$ 26,053,112</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, 2006 and 2005

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.

Classification of net assets

BWF's net assets have been grouped into the following two classes:

Unrestricted Net Assets - Unrestricted net assets are those whose use by BWF 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 BWF. 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.

Temporarily Restricted Net Assets - Temporarily restricted net assets are those whose use by BWF is subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the BWF 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.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2006 and 2005

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, temporarily restricted net assets are reclassified to unrestricted 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, the BWF does not recognize the conditional promise to give.

Contribution in kind is recorded based on estimated fair value at the date of contribution.

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 \$2,933,002 and \$3,582,672 in 2006 and 2005, respectively, as contribution revenue in the statements of activities and changes in net assets.

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.

As of December 31, 2006 and 2005, respectively, all unexpended grants are payable within one year.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2006 and 2005

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 two 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, 2006 and 2005, respectively.

Donated gifts of securities are recorded based on estimated fair value at the date the donation is received.

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, 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.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2006 and 2005

3. Contributions Receivable

Contributions receivable as at December 31, are as follows:

	<u>2006</u>	<u>2005</u>
Less than one year	\$ 1,350,000	\$ 1,500,117
One year to five years	500,000	-
	<u>1,850,000</u>	<u>1,500,117</u>
Less: Discount	(109,335)	-
Contributions receivable, net	<u>\$ 1,740,665</u>	<u>\$ 1,500,117</u>

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
Leasehold improvements	\$ 78,467	\$ 78,467
Equipment and software	84,787	89,785
Furniture and fixtures	7,871	7,871
	<u>171,125</u>	<u>176,123</u>
Less: Accumulated depreciation	(113,168)	(107,698)
Total property and equipment, net	<u>\$ 57,957</u>	<u>\$ 68,425</u>

5. Temporarily Restricted Net Assets

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

	<u>2006</u>	<u>2005</u>
Adopt-A-Minefield	\$ 2,106,313	\$ 2,705,549
Adolescent Girls Nike Foundation Partnership	4,327,951	4,492,000
Global Water Challenge	3,310,510	1,500,000
Energy Future Coalition	260,627	93,933
Children's Health	30,945	-
Other	3,642	170,655
	<u>\$ 10,039,988</u>	<u>\$ 8,962,137</u>

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2006 and 2005

6. Related Parties

Contributions

Gift income in the amount of \$12,500,000 and \$13,169,103 in 2006 and 2005, respectively, was received through the donation of cash and securities from Ted Turner, Chairman of the BWF Board of Directors.

During 2006 and 2005, BWF also received contributions from an affiliated organization of \$721,439 and \$250,000, respectively.

Grants

BWF approved grants totaling \$4,282,238 and \$2,633,669, respectively, to affiliated organizations during 2006 and 2005. At December 31, 2006 and 2005, the 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 2006 and 2005, respectively, \$522,796 and \$472,685 of cost was allocated from UNF to BWF and is recorded in due to affiliate. At December 31, 2006 and 2005, the due to affiliate payable was \$765,127 and \$12,285,682, respectively.

Supplemental Schedule

BETTER WORLD FUND, INC.
Schedule of Functional Expenses
For the years ended December 31, 2006 and 2005

	Program Services						Supporting Services				2005 Total Expenses	
	Advocacy	Children's Health	Environment	Security & Human Rights	UN Strengthening	Women & Population	Total Program Services	General & Administrative	Fund-raising	Total Supporting Services		
Personnel Expenses	\$ 7,249	\$ 8,343	\$ 42,360	\$ 48,196	\$ 24,240	\$ 19,135	\$ 149,523	\$ 100,394	\$ 104,572	\$ 204,966	\$ 354,489	334,585
Professional Fees	772	889	4,513	5,135	2,582	2,039	15,930	51,971	18,610	70,581	86,511	63,524
Occupancy	1,193	1,373	6,968	7,928	3,987	3,148	24,597	19,131	24,598	43,729	68,326	42,432
Information Technology	352	405	2,055	2,338	1,176	929	7,255	7,004	814	7,818	15,073	10,155
Communications	198	228	1,156	1,316	662	522	4,082	2,779	2,280	5,059	9,141	7,184
Postage & Delivery	58	66	338	385	193	153	1,193	655	967	1,622	2,815	2,503
Printing & Reproduction	193	223	1,133	1,289	648	512	3,998	1,203	912	2,115	6,113	5,894
Insurance	43	49	249	283	142	112	878	683	878	1,561	2,439	2,198
Travel	955	1,099	5,581	6,350	3,196	2,521	19,702	5,562	17,809	23,371	43,073	47,739
Other Operating	868	1,000	5,075	5,774	2,903	2,292	17,912	23,791	13,188	36,979	54,891	58,559
Grant Expense	3,935,273	719,247	3,651,605	4,154,730	2,089,527	1,649,526	16,199,908	-	-	-	16,199,908	11,838,610
Total Expenses	\$ 3,947,154	\$ 732,922	\$ 3,721,033	\$ 4,233,724	\$ 2,129,256	\$ 1,680,889	\$ 16,444,978	\$ 213,173	\$ 184,628	\$ 397,801	\$ 16,842,779	\$ 12,433,383