

UNITED NATIONS FOUNDATION, INC.
Financial Statements and Supplementary
Information
December 31, 2013 and 2012

UNITED NATIONS FOUNDATION, INC.
Index

	Page(s)
Report of Independent Auditors	1-2
Statements of Financial Position as of December 31, 2013 and 2012	3
Statements of Activities and Changes in Net Assets for the years ended December 31, 2013 and 2012	4
Statements of Cash Flows for the years ended December 31, 2013 and 2012	5
Notes to the Financial Statements	6-25
Supplemental Schedule of Functional Expenses for the years ended December 31, 2013 and 2012	26



Independent Auditor's Report

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

We have audited the accompanying financial statements of United Nations Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Nations Foundation, Inc. at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



The accompanying 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.

Ricewaterhouse LLP

May 31, 2014

UNITED NATIONS FOUNDATION, INC.
Statements of Financial Position
As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 82,756,518	\$ 20,385,546
Investments	198,275,840	162,228,474
Accounts receivable:		
Due from an affiliate	577,146	3,291,026
Other	11,115,934	9,735,992
Contributions receivable, net	84,512,989	73,470,815
Prepaid expenses and deposits	209,801	486,368
Property and equipment, net	<u>9,077,852</u>	<u>1,284,672</u>
Total assets	<u>\$ 386,526,080</u>	<u>\$ 270,882,893</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 11,510,667	\$ 7,036,209
Unexpended grants, net	4,251,910	8,114,751
Deferred rent and landlord allowance	<u>14,156,618</u>	<u>10,904,069</u>
Total liabilities	<u>29,919,195</u>	<u>26,055,029</u>
Net assets		
Unrestricted net assets	198,808,878	155,872,262
Temporarily restricted net assets	<u>157,798,007</u>	<u>88,955,602</u>
Total net assets	<u>356,606,885</u>	<u>244,827,864</u>
Total liabilities and net assets	<u>\$ 386,526,080</u>	<u>\$ 270,882,893</u>

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

UNITED NATIONS FOUNDATION, INC.
Statements of Activities and Changes in Net Assets
As of December 31, 2013 and 2012

	2013	2012
Change in unrestricted net assets		
Revenues:		
Contributions from a related party	\$ 50,000,000	\$ 50,000,000
Contributions from third parties	5,632,872	2,632,154
Interest and dividends	4,260,361	5,996,194
Net realized and unrealized gain on investments	20,154,174	11,907,161
Grant recoveries and adjustments	2,789,419	2,930,229
Other	2,060,073	1,399,137
Total unrestricted revenues and other changes	<u>84,896,899</u>	<u>74,864,875</u>
Net assets released from restriction	95,878,592	98,279,294
Total unrestricted revenues and other support	<u>180,775,491</u>	<u>173,144,169</u>
Expenses:		
Program services	117,807,389	115,717,094
General and administrative	13,014,787	11,815,142
Fund raising	7,016,699	7,318,372
Total expenses	<u>137,838,875</u>	<u>134,850,608</u>
Change in unrestricted net assets	42,936,616	38,293,561
Unrestricted net assets, beginning of year	155,872,262	117,578,701
Unrestricted net assets, end of year	<u>198,808,878</u>	<u>155,872,262</u>
Change in temporarily restricted net assets		
Contributions from third parties	149,385,617	68,718,772
Contributions from a related party	568,770	553,500
Donated services	405,000	-
Interest and dividends	4,000	2,891,913
Gifts in kind	12,784,000	-
Grant recoveries and adjustments	4,375,159	151,951
Other adjustments	(2,275,000)	(901,361)
Net realized and unrealized foreign currency exchange (loss) gain	(526,549)	2,185,657
Net assets released from restriction	(95,878,592)	(98,279,294)
Change in temporarily restricted net assets	<u>68,842,405</u>	<u>(24,678,862)</u>
Temporarily restricted net assets, beginning of year	88,955,602	113,634,464
Temporarily restricted net assets, end of year	<u>157,798,007</u>	<u>88,955,602</u>
Change in net assets	111,779,021	13,614,699
Net assets, beginning of year	<u>244,827,864</u>	<u>231,213,165</u>
Net assets, end of year	<u>\$ 356,606,885</u>	<u>\$ 244,827,864</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, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 111,779,021	\$ 13,614,699
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	793,198	481,526
Grant recoveries	(7,164,579)	(3,082,178)
Contributions returned to donors	-	37,466
Other adjustments	2,275,000	863,896
Accretion on the contributions receivable	(850,171)	(1,475,312)
Discount on contributions receivable	2,292,347	52,353
Accretion of landlord allowance	(734,613)	233,713
Donated securities	(29,344)	(26,620)
Realized gain on donated securities	(5,987)	(136)
Proceeds from sale of donated securities	35,331	26,756
Net realized and unrealized gain and fees on investments	(16,705,581)	(9,718,919)
Net realized and unrealized foreign currency exchange loss (gain)	526,549	(2,185,657)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable due from an affiliate	2,713,880	(1,063,002)
Increase in accounts receivable other, net	(1,379,942)	(9,003,781)
(Increase) decrease in contributions receivable	(15,285,899)	14,650,934
Decrease in prepaid expenses and deposits	276,567	37,849
Increase in accounts payable and accrued expenses	4,474,458	3,790,181
Increase in unexpended grants	3,301,738	8,856,915
Increase in deferred rent	3,987,162	9,684,602
Decrease in deferred revenue	-	(6,495)
Net cash provided by operating activities	<u>90,299,135</u>	<u>25,768,790</u>
Cash flows from investing activities		
Purchase of investments	(84,157,251)	(37,213,675)
Proceeds from the sale of investments	64,815,466	11,976,841
Purchases of property and equipment	(8,586,378)	(175,765)
Net cash used in investing activities	<u>(27,928,163)</u>	<u>(25,412,599)</u>
Net increase in cash and cash equivalents	62,370,972	356,191
Cash and cash equivalents, beginning of year	<u>20,385,546</u>	<u>20,029,355</u>
Cash and cash equivalents, end of year	<u>\$ 82,756,518</u>	<u>\$ 20,385,546</u>
Supplemental information:		
Donated securities	<u>\$ 29,344</u>	<u>\$ 26,620</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, 2013 and 2012

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established the United Nations Foundation, Inc. (the “Foundation” or “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 unrestricted net assets 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. As of December 31, 2013 and 2012, no UNF unrestricted net assets have been designated as grant matching funds.

The Board of Directors has approved a set-aside of R.E. (Ted) Turner’s unrestricted contributions for the long-term sustainability goals of the Foundation. As of December 31, 2013, the set-aside balance was approximately \$198 million. In connection with these goals and included in the \$198 million amount, the Board of Directors approved \$20 million dollars in each of the years 2013 and 2012.

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

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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, then UNF does not recognize the conditional promise to give. As of December 31, 2013 and 2012, UNF had no conditional promises to give.

Unconditional promises to give, recorded in and after 2008 which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organizations. This approach is consistent with the guidance provided under Accounting Standards Codification ("ASC") Topic 820. Discount rates are based on market participants and range from 2.00% to 5.14%. Carrying value approximates market value.

In 2013 and 2012, contributions received in prior years totaling \$0 and \$37,467, respectively, were returned to donors either because the Foundation could not implement the purpose for which the contribution was originally received or residual funds existed on closed grants/projects.

Unconditional promises to give that are expected to be received in future years, which are denominated in foreign currency, are recorded in U.S. dollars and are remeasured annually at the prevailing year-end exchange rate.

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 involve fair value measurement only upon initial recognition. Grants payable, which are expected to be paid in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organization. This approach is consistent with the guidance provided under ASC Topic 820. Discount rates are based on market participants and range from 2.25% to 5.14%. Carrying value approximates market value.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

At the end of the approved grant term and upon completion of UNF's internal grant modification and closing process, grant recoveries and adjustments are recorded in the period in which they are closed or modified as reflected on the Statements of Activities. In 2013 and 2012, grant recoveries and adjustments and the corresponding grants payable balances were recorded in the amounts of \$3,919,401 and \$2,724,784, respectively, due to grant closings and modifications. Additionally, as of December 31, 2013 and 2012, grant recoveries and adjustments were recorded related to closed grants with pending refunds in the amounts of \$3,245,177 and \$357,396, respectively. As of December 31, 2013 and 2012, there were no grants payables with expired terms or no immediate future projected payments.

Gifts in kind

Any gifts in kind are recorded at estimated fair value at the date the donation is received.

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. There were \$405,000 and \$0 of donated services for the years ended December 31, 2013 and 2012.

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 2013 and 2012. This income is recorded as interest income at the time it is reported by UN agencies 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.

Foreign currency

All foreign currency transactions, if any, are converted and accounted for in United States dollars on the date of the respective transaction. All monetary assets and liabilities held in foreign currencies, if any, are translated using the rate of exchange at the balance sheet date and the resulting unrealized foreign currency exchange gain or loss is recognized.

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, whichever is shorter. Land is recorded at fair value at the date of contribution. When assets are sold or retired, the related cost and accumulated depreciation are removed from the account. Any gain or loss resulting from disposition is credited or charged to operations. Expenditures for repairs and maintenances are charged to operations as incurred.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Leases and leasehold improvements

During 2006, UNF entered into an agreement to lease additional office space in Washington, DC as its headquarters facility. The office lease is a ten-year agreement which 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 this lease, UNF obtained a letter of credit amounting to \$104,828 in lieu of a security deposit for the building in March 2011.

During 2010, UNF entered into an agreement to lease additional space in Washington, DC. This lease agreement has a term of six years and four months which expires in 2016.

During 2011, UNF entered into a new agreement to lease office space in New York City to relocate its offices from one floor to another within the same building. This lease agreement has a term of 10 years and seven months which expires in 2022.

During 2012, UNF entered into a new agreement to lease office space in Washington, DC for its new headquarters location. This lease agreement has a term of 15 years, commencing in January 2014 and expiring in December 2028. Leasehold improvements, and landlord allowances and credits will be amortized over the lease term. As a result of the impending move to its new headquarters location, UNF provided in 2012 lease termination notices to the other two DC landlords. The move to the new headquarters location was effective on January 1, 2014.

Landlord allowance

As an incentive for entering into the lease agreement for its office in New York City, UNF received a cash allowance of \$192,000 from the landlord in 2011. The value of this allowance payment is amortized over the ten-year, six-month life of the lease. As of December 31, 2013 and 2012, \$147,809 and \$166,095, respectively, is included in deferred rent and landlord allowance on the statements of financial position as unamortized landlord allowance.

As an incentive for entering into the lease agreement for its new headquarters location in Washington, DC, UNF received a commitment for cash allowances as follows: 1) \$315,281 to cover the lease termination fee at one Washington, DC location, 2) \$335,741 to cover the lease termination fee and \$1,514,607 to cover post-move rent payments due at another Washington, DC location, and 3) \$7,011,668 to cover tenant improvement at the new headquarters location. As of December 31, 2013 and 2012, \$8,471,352 and \$9,036,108, respectively, is included in deferred rent and landlord allowance on the statements of financial position. As of December 31, 2013 and 2012, Accounts Receivable – Other included \$5,346,907 and \$9,177,298, respectively, in landlord allowance receivable.

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, other than unrelated business income. Since UNF has no significant unrelated business income, no provision for income tax has been recorded.

On January 1, 2009, UNF adopted the provisions of ASC Topic 740-10-25, “*Income Taxes Recognition*” (ASC Topic 740-10-25”). ASC Topic 740-10-25 requires that a tax position be

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

recognized or derecognized based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return. UNF does not believe its financial statements include any uncertain tax positions.

Concentration of credit risk

Financial instruments, which potentially subject UNF to a concentration of credit risk, consist of cash and demand deposits placed with two financial institutions. UNF places its cash and cash equivalents with high credit quality financial institutions that are federally insured under the Federal Depository Insurance Corporation Act (FDICA). At December 31, 2013 and 2012, the aggregate balances in excess of the insurance limits were approximately \$82.5 million and \$20.1 million, respectively, and therefore bear some risk since they are not collateralized. UNF has not experienced any losses on its cash and cash equivalents to date, as they relate to FDICA insurance limits and do not expect such losses in the future.

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, and the carrying value of certain investments, grants payable and contributions receivable, during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

3. Fair Value Measurements

The Foundation adopted the provisions of ASC Topic 820, “Fair Value Measurements and Disclosures” (ASC Topic 820), effective January 1, 2008. ASC Topic 820 requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework based on the observability of inputs used for measuring fair value and expands disclosure about fair market value measurements. Under ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement dates.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets measured at fair value on a recurring basis:

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

	2013	
	<u>Cash and cash equivalents</u>	<u>Investments</u>
Items reported at fair value	\$ 78,967,416	\$ 198,275,840
Items not subject to fair value reporting	<u>3,789,102</u>	<u>-</u>
Total	\$ 82,756,518	\$ 198,275,840

	2012	
	<u>Cash and cash equivalents</u>	<u>Investments</u>
Items reported at fair value	\$ 17,180,716	\$ 162,228,474
Items not subject to fair value reporting	<u>3,204,830</u>	<u>-</u>
Total	\$ 20,385,546	\$ 162,228,474

Items not subject to fair value reporting consist of the cash deposits.

As of December 31, 2013, the Foundation's allocable share of investments which exceed 5% of the Account's Net Assets are disclosed as follows:

<u>Name of Investment</u>	<u>Type of Investment</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a % of Net Assets</u>
GMO Quality	Mutual Fund	\$ 17,610,255	\$22,220,637	6.23%
PIMCO UB	Mutual Fund	40,289,454	39,211,484	11.00%

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

The following table summarizes the fair value measurement as of December 31, 2013 for financial assets by pricing observability levels:

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value at 12/31/13
Cash equivalents	78,967,416	-	-	78,967,416
Investments:				
Mutual Fund - Domestic Large Cap Equities	47,330,258	-	-	47,330,258
Mutual Fund - Domestic Small Cap Equities	5,052,270			5,052,270
Mutual Fund Fixed Income	39,211,484	-	-	39,211,484
Mutual Fund - International Equity	6,946,557	-	-	6,946,557
Alternative Investments International Equity - Asia ex Japan	-	7,718,765	3,853,469	11,572,234
Alternative Investments International Equity - Europe, Australasia, Far East	-	6,973,852	-	6,973,852
Alternative Investments International Equity - Global		13,118,442	-	13,118,442
Alternative Investments Hedged Equity Funds - Long/Short Equity	-	-	26,038,042	26,038,042
Alternative Investments Absolute Return - Global Multi-Strategy	-	-	19,869,832	19,869,832
Alternative Investments Absolute Return - Credit and Event-Driven	-	-	15,301,150	15,301,150
Alternative Investments Global Fixed Income Arbitrage	-	-	6,861,720	6,861,720
Total assets measured at fair value on a recurring basis	\$ 177,507,985	\$27,811,059	\$ 71,924,212	\$ 277,243,256

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

The following table summarizes the fair value measurement as of December 31, 2012 for financial assets by pricing observability levels:

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value at 12/31/12
Cash equivalents	17,180,716	-	-	17,180,716
Investments:				
Mutual Fund - Domestic				
Large Cap Equities	36,706,282	-	-	36,706,282
Mutual Fund				
Fixed Income	56,048,715	-	-	56,048,715
Mutual Fund - International				
Equity	7,253,235	-	-	7,253,235
Alternative Investments				
International Equity -				
Asia ex Japan	-	2,781,588	2,706,054	5,487,642
Alternative Investments				
International Equity -				
Europe, Australasia, Far East	-	2,329,240	-	2,329,240
Alternative Investments				
International Equity -				
Global		7,830,727	-	7,830,727
Alternative Investments				
Hedged Equity Funds -				
Long/Short Equity	-	-	16,860,381	16,860,381
Alternative Investments				
Absolute Return -				
Global Multi-Strategy	-	-	10,891,128	10,891,128
Alternative Investments				
Absolute Return -				
Credit and Event-Driven	-	-	11,712,787	11,712,787
Alternative Investments				
Global Fixed Income				
Arbitrage	-	-	7,108,338	7,108,338
Total assets measured at fair value on a recurring basis	\$ 117,188,948	\$ 12,941,555	\$ 49,278,687	\$ 179,409,190

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

In general, for Level 2 and Level 3 investments, the Foundation utilizes the investment manager of the asset to provide a valuation estimate based on techniques discussed later and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the Foundation may also use established processes for determining the fair value of such securities which reflect the Foundation's own assumptions to value the assets as well. Management makes best estimates based on the information available. The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above:

Cash Equivalents – Cash equivalents include cash deposits in investment funds and funds held in money market accounts which are actively traded. These are priced using independent market prices in the primary trading market and are classified as Level 1 based on the availability of quotes for identical assets.

Equity Investments – Equity investments include but are not limited to separately held accounts in investment funds and limited partnership holdings. These assets which are grouped by investment objective consist of both publicly-traded and privately-held securities, diversified globally.

- *Publicly-traded securities* – These investments are equity-focused funds with common and preferred stock of both domestic and international companies. The publicly-traded equity investments include domestic large and small cap equities mutual funds and alternative investments focused on international equity in the Asia ex Japan, Europe and emerging markets regions. The mutual funds exist in an active market and are classified as Level 1. The alternative investments have significant transparency in underlying securities and are classified as Level 2 or Level 3, depending on redemption restrictions. Funds with redemption periods greater than 90 days are classified as Level 3. Although the underlying securities of these alternative investments are publicly traded, the funds themselves are not. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.
- *Privately-held securities* – These equity investments include alternative investments with strategies focused on the Asia ex Japan region, Europe, Australasia, and Far East region, and hedged equity. These funds are privately held and trade infrequently. The valuations are calculated by the investment manager based on valuation techniques that take into account each fund's underlying assets and include traditional valuation methods such as the market, cost and income approaches. The valuation policies adopted by the manager are reviewed by the Foundation for propriety, consistency, compliance and completeness. Funds with limited transparency in all underlying investments, other than the quoted prices in active markets, or redemption periods greater than 90 days, and that are valued using significant unobservable inputs are classified as Level 3. In the case of private equity investments, there are limited options to transfer or withdraw from these funds prior to their termination. Inputs used to determine fair value are based upon the best available information provided by the partnerships/funds and may incorporate management assumptions and best

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

estimates after considering a variety of internal and external factors. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.

Fixed Income – The Foundation's fixed income investments include a fixed income mutual fund and a global fixed income arbitrage limited partnership. As a publicly traded vehicle, the mutual fund is categorized as Level 1. The limited partnership, with limited transparency in all underlying investments and significant unobservable pricing inputs, is categorized as Level 3. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.

Absolute Return – Absolute Return investments include but are not limited to separately held accounts in investment funds and limited partnership holdings. These assets are comprised of global multi-strategy and credit and event-driven investments. All Absolute Return investments are categorized as Level 3 due to the limited transparency in all underlying investments and significant unobservable pricing inputs. The fair values of these investments have been estimated using the net asset value (NAV) per share or UNF's percentage of ownership interest.

The following table summarizes redemption restrictions associated with each investment type as of December 31, 2013:

Schedule of Investments - Redemption Dates
As of 12/31/2013

Investment	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Pooled Investment Vehicles			
Mutual Fund - Domestic			
Large Cap Equities	47,330,258	daily	daily
Mutual Fund - Domestic			
Small Cap Equities	5,052,270	daily	daily
Mutual Fund			
Fixed Income	39,211,484	daily	daily
Mutual Fund - International			
Equity	6,946,557	semi-monthly	daily
Alternative Investments			
International Equity - Asia ex Japan	3,853,469	quarterly	30 days

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Alternative Investments International Equity - Asia ex Japan	7,718,765	monthly	30 days
Alternative Investments International Equity - Europe, Australasia, Far East	2,837,581	quarterly	90 days
Alternative Investments International Equity - Europe, Australasia, Far East	4,136,272	monthly	10 days
Alternative Investments International Equity - Global	13,118,442	quarterly	30 days
Alternative Investments Hedged Equity - Long/Short Equity	6,419,824	annually	60 days
Alternative Investments Hedged Equity - Long/Short Equity	6,159,006	tri-annually	60 days
Alternative Investments Hedged Equity - Long/Short Equity	8,219,187	1/5 quarterly 4/5 tri-annually	30 days
Alternative Investments Hedged Equity - Long/Short Equity	5,240,025	monthly	2 days
Alternative Investments Absolute Return Global Multi-Strategy	5,298,910	quarterly	60 days
Alternative Investments Absolute Return Global Multi-Strategy	8,157,218	quarterly	65 days
Alternative Investments Absolute Return Global Multi-Strategy	6,413,703	1/3 annually	65 days
Alternative Investments Absolute Return Credit and Event-Driven	8,763,937	1/4 quarterly	65 days
Alternative Investments Absolute Return Credit and Event-Driven	6,537,213	monthly	90 days
Alternative Investments Global Fixed Income Arbitrage	6,861,720	1/3 annually	90 days
Total	\$ 198,275,840		

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

There was \$31,578 in unfunded commitments related to investments held by UNF as of December 31, 2013

The following table summarizes redemption restrictions associated with each investment type as of December 31, 2012:

Schedule of Investments - Redemption Dates
As of 12/31/2012

Investment	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Pooled Investment Vehicles			
Mutual Fund - Domestic Large Cap Equities	36,706,282	daily	daily
Mutual Fund - Domestic Core Fixed Income	56,048,715	daily	daily
Mutual Fund - International Equity	7,253,235	semi-monthly	daily
Alternative Investments International Equity - Asia ex Japan	2,706,054	quarterly	30 days
Alternative Investments International Equity - Asia ex Japan	2,781,588	monthly	30 days
Alternative Investments International Equity - Europe, Australasia, Far East	2,329,240	quarterly	90 days
Alternative Investments International Equity - Global	7,830,727	quarterly	30 days

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Alternative Investments			
Hedged Equity -			
Long/Short Equity	5,724,776	annually	60 days
Alternative Investments			
Hedged Equity -			
Long/Short Equity	5,290,353	tri-annually	60 days
Alternative Investments			
Hedged Equity -		1/5 quarterly	
Long/Short Equity	5,845,252	4/5 tri-annually starting in 2013	30 days
Alternative Investments			
Absolute Return			
Global Multi-Strategy	5,563,623	quarterly	65 days
Alternative Investments			
Absolute Return			
Global Multi-Strategy	5,327,505	1/3 annually	65 days
Alternative Investments			
Absolute Return			
Credit and Event-Driven	5,980,132	1/4 quarterly	65 days
Alternative Investments			
Absolute Return			
Credit and Event-Driven	5,732,655	monthly	90 days
Alternative Investments			
Global Fixed Income			
Arbitrage	7,108,338	1/3 annually	90 days
Total	\$ 162,228,474		

There was \$19,524 in unfunded commitments related to investments held by UNF as of December 31, 2012

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

The following table summarizes the transfers to Level 1 and Level 2:

	Year ended 12/31/2013			Year ended 12/31/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Transfers into Level 1 from	NA	\$ -	\$ -	NA	\$ 7,253,235	\$ -
Transfers into Level 2 from	-	NA	-	-	NA	7,830,727
Transfers into Level 3 from	-	-	NA	-	-	NA

There were no transfers to Level 1 or Level 2 as of December 31, 2013. As of December 31, 2012, the Foundation recorded a transfer from Level 2 to Level 1 in the amount of \$7,253,235 due to changes in the availability of observable market data or the removal of redemption restrictions. Transfers from Level 3 to level 2 typically involve investments, or portions of investments, in commingled vehicles having redemption terms that provide for liquidity within the 12 months following the reporting period. The Foundation's policy is to recognize transfers as of the end of the year.

The following table summarizes the changes in Level 3 assets, measured at fair value on a recurring basis, as of December 31, 2013:

	Alternative Investments International Equity - Asia ex Japan	Alternative Investments Hedged Equity Funds - Long/Short Equity	Alternative Investments Absolute Return - Global Multi- Strategy	Alternative Investments Absolute Return Credit and Event-Driven	Alternative Investments Global Fixed Income Arbitrage
Fair Value of Level 3 Assets at December 31, 2012	\$ 2,706,054	\$ 16,860,381	\$ 10,891,128	\$ 11,712,787	\$ 7,108,338
Net realized/unrealized gains	147,415	3,630,661	1,978,703	1,588,363	(246,618)
Reinvested income/dividends	-	-	-	-	-
Purchases, sales, issuances, and settlements	1,000,000	5,547,000	7,000,000	2,000,000	-
Transfers in/(out) of Level 3	-	-	-	-	-
Fair Value of Level 3 Assets at December 31, 2013	<u>\$ 3,853,469</u>	<u>\$ 26,038,042</u>	<u>\$ 19,869,831</u>	<u>\$ 15,301,150</u>	<u>\$ 6,861,720</u>

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

The following table summarizes the changes in Level 3 assets, measured at fair value on a recurring basis, as of December 31, 2012:

	Alternative Investments International Equity - Asia ex Japan	Alternative Investments International Equity - Global	Alternative Investments Hedged Equity Funds - Long/Short Equity	Alternative Investments Absolute Return - Global Multi- Strategy	Alternative Investments Absolute Return Credit and Event-Driven	Alternative Investments Global Fixed Income Arbitrage
Fair Value of Level 3 Assets at December 31, 2011	\$ 4,465,196	\$ 6,634,682	\$ 15,276,353	\$ 9,905,868	\$ 10,444,138	\$ 7,128,998
Net realized/unrealized gains	217,699	1,196,045	1,584,028	985,260	1,268,649	(20,660)
Reinvested income/dividends	-	-	-	-	-	-
Purchases, sales, issuances, and settlements	(1,976,841)	-	-	-	-	-
Transfers in/(out) of Level 3	-	(7,830,727)	-	-	-	-
Fair Value of Level 3 Assets at December 31, 2012	<u>\$ 2,706,054</u>	<u>\$ -</u>	<u>\$ 16,860,381</u>	<u>\$ 10,891,128</u>	<u>\$ 11,712,787</u>	<u>\$ 7,108,338</u>

Transfers between classification levels during the year occurred due to changes in the availability of observable market data or the removal of redemption restrictions related to the investments.

Fair Value Options

In February 2007, the FASB updated GAAP with ASC Topic 825-10-25 “The Fair Value Option for Financial Assets and Financial Liabilities”. The fair value option permits entities to choose to measure eligible items at fair value at specific election dates, with subsequent unrealized gains and losses reported in the entity’s statement of activities. The Foundation adopted this standard effective January 1, 2008. The Foundation assessed the fair value options made available under the standard and elected not to apply the fair value option to any financial instruments that were not already recognized at fair value.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. Contributions Receivable

As of December 31, the expected future cash receipts from contributions receivable are as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 23,584,606	\$ 42,562,625
One year to five years	<u>63,649,511</u>	<u>32,187,142</u>
	87,234,117	74,749,767
Less: Discount to net present value	<u>(2,721,128)</u>	<u>(1,278,952)</u>
Total contributions receivable, net	<u>\$ 84,512,989</u>	<u>\$ 73,470,815</u>

Net contributions receivable as of December 31, 2013 included amounts of approximately \$28.3 million, \$21.3 million, \$19.3 million, \$4.9 million, \$4.6 million and \$2.4 million from six donors. Net contributions receivable as of December 31, 2012 included amounts of approximately \$45.5 million, \$6.7 million, \$4.2 million, \$4.2 million, and \$2.9 million from five donors

Contributions receivable recorded in and after 2008 which are expected to be received in future years are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organizations. Discount rates are based on market participants and range from 2.25% to 5.14%.

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 138,175	\$ 138,175
Leasehold improvements	6,344,008	2,849,200
Equipment	654,940	621,280
Furniture and fixtures	<u>2,741,095</u>	<u>422,477</u>
	9,878,218	4,031,132
Less: Accumulated depreciation	<u>(800,366)</u>	<u>(2,746,460)</u>
Total property and equipment, net	<u>\$ 9,077,852</u>	<u>\$ 1,284,672</u>

6. Unexpended Grants

All unexpended grants at December 31, 2013 and 2012 are payable within a year.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Grants payable, which are expected to be paid in future years, are recorded at *the present value of their estimated future cash flows using discount rates equal to the borrowing rates* from a local banking institution which would be extended to any other similar non-profit organization. Discount rates are based on market participants and range from 2.25% to 5.14%.

7. Leases

UNF leases office space and equipment under operating leases expiring at various dates through December 31, 2028. The office leases are subject to annual escalation amounts as set forth in the lease agreements. Rent expense of \$5,711,494 and \$2,974,526 was recognized for the years ended December 31, 2013 and 2012, respectively, on a straight-line basis. The following is a schedule of anticipated future minimum rental payments as of December 31, 2013, pursuant to lease agreements:

Year ending December 31,

2014	\$ 4,424,343
2015	4,537,334
2016	4,653,222
2017	4,754,737
2018	4,869,004
Thereafter	<u>53,255,763</u>
	<u>\$ 76,494,403</u>

Rental payments are subject to a cost-sharing agreement with BWF, which is further described in Note 11.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

8. Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Children's Health	99,719,615	64,175,440
Environment	16,155,629	15,690,632
Global AIDS Fund	18,080,209	1,416,588
Malaria	1,074,450	796,040
Other	2,199,635	2,935,182
Women and Population	<u>20,568,469</u>	<u>3,941,719</u>
	<u>\$ 157,798,007</u>	<u>\$ 88,955,601</u>

Other temporarily restricted net assets principally include projects such as Disaster Relief, UN Strengthening, and Peace, Security and Human Rights.

9. Release of Temporarily Restricted Net Assets

Temporarily restricted net assets were released from restriction for the following purposes for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Children's Health	65,973,401	69,517,603
Disaster Relief	1,238	296,586
Environment	14,610,037	10,865,529
Global AIDS Fund	2,750,828	2,610,196
Malaria	1,801,178	5,410,611
Other	3,307,985	4,753,671
Women and Population	<u>7,433,925</u>	<u>4,825,097</u>
	<u>\$ 95,878,592</u>	<u>\$ 98,279,294</u>

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

10. 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, 2013 and 2012, UNF contributed under this plan in the amount of \$992,790 and \$924,531, respectively. Payments were subject to a cost-sharing agreement with BWF, which is further described in Note 11.

11. 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 the use of such funds. UNFIP is required to be administered in accordance with the Financial Regulations and Rules of the United Nations. During 2013 and 2012, grants unconditionally approved to UNFIP and included in program services in the Statements of Activities and Changes in Net Assets were \$47,288,362 and \$51,351,365, respectively. Included in the grants unconditionally approved to UNFIP during 2013 and 2012 are administrative and project fees of \$1,500,000 and \$3,000,000, respectively. At December 31, 2013 and 2012, unexpended grants of \$65,400 and \$4,111,733, respectively are committed to UNFIP.

Contribution

Contributions in the amount of \$50,000,000 and \$50,000,000 were received through the donation of cash from Ted Turner, Chairman of UNF Board of Directors, for the years ended December 31, 2013 and 2012, respectively. For the year ended December 31, 2013 and 2012, \$500,000 and \$500,000, respectively, was received from the Turner Foundation, a related party. Contributions of \$126,295 and \$53,500 were received through donations of cash from the BWF for the year ended December 31, 2013 and 2012, respectively. Additionally, donated services of \$405,000 were received from Infosys, a related party, for the year ended December 31, 2013.

Grants

UNF approved grants totaling \$53,390,248 and \$56,245,206 to affiliated organizations during 2013 and 2012, respectively. At December 31, 2013 no unexpended grants remained payable to affiliated organizations. At December 31, 2012 unexpended grants in the Statements of Financial Position included \$4,090,114 payable to affiliated organizations.

UNITED NATIONS FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Cost-sharing agreement

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. During 2013 and 2012, \$1,713,845 and \$1,624,278, respectively, of such cost was incurred and allocated by UNF to BWF and was recorded by UNF as “Due from an Affiliate.” The allocation ratio of the operating expenses between UNF and BWF were 86%:14% and 86%: 14% for the years ended December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012 \$577,146 (consisting of \$715,919 of payables and \$1,293,065 of receivables) and \$3,291,026 (consisting of \$0 of payables and \$3,291,026 of receivables), respectively, were receivable by UNF and included in “Due from an Affiliate” in the Statements of Financial Position.

12. Donated Art Work

The Foundation received a donation of 43 pieces of art work in 2013. A charity art auction was held on November 23, 2013, through Sotheby’s auction house in New York, to sell the entire 43 pieces of art work. All of the pieces of art work donated to the Foundation were sold and generated net revenue in the amount of \$12,784,000. The proceeds from the entire sale were directed to the Foundation’s fund in support of HIV/AIDS relief programs in Africa.

13. Contingencies and Commitments

During 2009, a third-party not-for-profit organization, through one of its programs, desired to make loans to selected enterprises in order to support their growth and viability. In light of UNF’s interest in the success of that program, UNF entered into a Guarantee Agreement with this organization in September 2009. Under this agreement, UNF guaranteed any loans outstanding from time to time, subject to certain limits on the maximum aggregate amount of payments.

The terms of the agreement stipulate that UNF, acting as the guarantor, may be required to pay the other not-for-profit organization, acting as the beneficiary, for obligations of the borrowers to the beneficiary under this agreement to a maximum guarantee ceiling in total of \$415,537 in connection with principal, interest and reasonable fees and expenses of counsel related to loan defaults under the Guarantee Agreement. The obligation of UNF, as the guarantor, will terminate on the earlier of (i) December 31, 2014 or (ii) on the date on which the last loan is repaid. As of December 31, 2013, there were four loans issued with an aggregate balance of \$446,802 under this Guarantee Agreement. Of these four loans, one borrower was in arrears as of December 31, 2013. However, since the arrearage was repaid by March 2014, no contingency reserved was recorded by UNF.

14. Subsequent Events

UNF has performed an evaluation of subsequent events through May 31, 2014, which is the date the financial statements were widely distributed, noting no additional events which would affect the financial statements as of December 31, 2013.

Supplemental Schedule

UNITED NATIONS FOUNDATION, INC.
Schedule of Functional Expenses
For the Years Ended December 31, 2013 and 2012

	Program Services						Supporting Services			2013 Total Expenses	2012 Total Expenses
	Children's Health	Environ- ment	Peace, Security & Human Rights	Women & Population	UN Streng- the ning	Total Program Services	General & Admini- strative	Fund- raising	Total Supporting Services		
Personnel Expenses	\$ 8,325,808	\$ 3,131,663	\$ 6,198	\$ 2,820,626	\$ 1,391,672	\$ 15,675,967	\$ 2,927,947	\$ 2,713,298	\$ 5,641,245	\$ 21,317,212	\$ 18,941,668
Professional Fees	6,187,433	6,129,990	4,177	2,093,171	2,521,753	16,936,524	5,595,384	2,025,794	7,621,178	24,557,702	19,753,736
Occupancy	2,302,628	6,376	3,316	319,639	71,415	2,703,374	2,449,278	1,129,011	3,578,289	6,281,663	5,267,496
Information Technology	44,513	8,523	41	30,080	990	84,147	27,911	8,671	36,582	120,729	33,789
Communications	135,163	39,840	127	30,805	12,175	218,110	60,617	43,686	104,303	322,413	332,340
Postage & Delivery	50,780	13,484	55	24,306	8,860	97,485	26,546	32,560	59,106	156,591	137,349
Printing & Reproduction	106,308	78,564	66	58,869	12,938	256,745	14,372	28,269	42,641	299,386	294,690
Insurance	65,093	180	94	4,710	2,017	72,094	82,400	31,627	114,027	186,121	155,904
Travel	2,254,044	738,091	1,183	700,422	523,818	4,217,558	477,119	551,364	1,028,483	5,246,041	3,637,260
Other Operating	1,320,088	414,697	1,177	338,099	146,796	2,220,857	1,353,213	452,419	1,805,632	4,026,489	3,134,301
Grant Expense	68,004,639	185,771	100,000	4,922,217	2,111,901	75,324,528	-	-	-	75,324,528	83,162,075
Total Expenses	\$ 88,796,497	\$ 10,747,179	\$ 116,434	\$ 11,342,944	\$ 6,804,335	\$ 117,807,389	\$ 13,014,787	\$ 7,016,699	\$ 20,031,486	\$ 137,838,875	\$ 134,850,608