

Better World Fund, Inc.

Financial Statements

December 31, 2019 and 2018

Better World Fund, Inc.
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December 31, 2019 and 2018

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Report of Independent Auditors

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

We have audited the accompanying financial statements of the Better World Fund, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, of functional expenses and of 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.

Auditors' 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 Company'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 Company'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 Better World Fund, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

June 19, 2020

Better World Fund, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 3,521,052	\$ 1,977,513
Investments	3,163,133	2,715,217
Other assets	18,950	228,957
Total assets	<u>\$ 6,703,135</u>	<u>\$ 4,921,687</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 135,460	\$ 145,717
Related party payable	2,302,913	-
Deferred government grants	9,200	47,604
Unexpended grants, net	-	36,972
Total liabilities	<u>2,447,573</u>	<u>230,293</u>
Net assets		
Net assets without donor restrictions	1,297,824	1,910,638
Net assets with donor restrictions	2,957,739	2,780,756
Total net assets	<u>4,255,563</u>	<u>4,691,394</u>
Total liabilities and net assets	<u>\$ 6,703,136</u>	<u>\$ 4,921,687</u>

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

Better World Fund, Inc.
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019	2018
Change in net assets without donor restrictions		
Revenues and other changes		
Contributions	\$ 3,299,172	\$5,052,571
Government grants	38,404	32,994
Net investment returns	217,523	30,129
Other sources of income	437,845	319,998
Total without donor restriction revenues and other changes	3,992,944	5,435,692
Net assets released from restriction	283,846	894,518
Total without donor restriction revenues and other support	4,276,790	6,330,210
Expenses		
Program services	4,433,894	4,543,946
General and administrative	353,119	332,138
Fundraising	102,591	330,266
Total expenses	4,889,604	5,206,350
Change in net assets without donor restrictions	(612,814)	1,123,860
Net assets without donor restrictions		
Beginning of year	1,910,638	786,778
End of year	1,297,824	1,910,638
Change in net assets with donor restrictions		
Contributions	85,440	127,652
Interest and dividends	-	20,945
Net realized and unrealized gain (loss) and fees on investment	375,389	(174,759)
Net assets released from restriction	(283,846)	(894,518)
Change in net assets with donor restrictions	176,983	(920,680)
Net assets with donor restrictions		
Beginning of year	2,780,756	3,701,436
End of year	2,957,739	2,780,756
Change in net assets	(435,831)	203,180
Net assets		
Beginning of year	4,691,394	4,488,214
End of year	\$ 4,255,563	\$4,691,394

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

Better World Fund, Inc.
Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	Program Services					Supporting Services			2019 Total Expenses
	Advocacy	Environment	Women & Population	UN Strengthening	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	
Personnel expenses	\$ 1,800,228	\$ -	\$ -	\$ 981,594	\$ 2,781,822	\$ 225,581	\$ 54,278	\$ 279,859	\$ 3,061,681
Professional fees	745,236	-	-	153,705	898,941	83,117	11,712	94,829	993,770
Occupancy	-	-	-	-	-	-	-	-	-
Information technology	29,322	-	-	1,971	31,293	2,605	33	2,638	33,931
Communications	7,096	-	-	3,240	10,336	3,657	517	4,174	14,510
Postage and delivery	1,852	-	-	5,849	7,701	566	337	903	8,604
Printing and reproduction	2,119	-	-	4,268	6,387	824	149	973	7,360
Travel	48,878	-	-	114,558	163,436	5,545	3,843	9,388	172,824
Other operating	113,869	-	-	326,473	440,342	31,224	31,724	62,948	503,290
Grant expense	86,636	-	-	7,000	93,636	-	-	-	93,636
Total expenses	<u>\$ 2,835,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,598,658</u>	<u>\$ 4,433,894</u>	<u>\$ 353,119</u>	<u>\$ 102,591</u>	<u>\$ 455,710</u>	<u>\$ 4,889,604</u>

	Program Services					Supporting Services			2018 Total Expenses
	Advocacy	Environment	Women & Population	UN Strengthening	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	
Personnel expenses	\$ 1,665,181	\$ 24,759	\$ -	\$ 807,788	\$ 2,497,728	\$ 253,792	\$ 254,904	\$ 508,696	\$ 3,006,424
Professional fees	884,767	500	1,902	199,153	1,086,322	41,007	21,654	62,661	1,148,983
Occupancy	369	-	-	1,403	1,772	19	351	370	2,142
Information technology	24,394	-	-	2,020	26,414	3,768	485	4,253	30,667
Communications	7,843	-	-	9,371	17,214	1,535	2,567	4,102	21,316
Postage and delivery	2,407	-	-	4,810	7,217	474	1,287	1,761	8,978
Printing and reproduction	8,860	-	-	20,009	28,869	645	3,251	3,896	32,765
Travel	80,816	1,775	-	112,825	195,416	7,552	13,574	21,126	216,542
Other operating	101,019	1,022	-	433,256	535,297	23,346	32,193	55,539	590,836
Grant expense	105,697	-	-	42,000	147,697	-	-	-	147,697
Total expenses	<u>\$ 2,881,353</u>	<u>\$ 28,056</u>	<u>\$ 1,902</u>	<u>\$ 1,632,635</u>	<u>\$ 4,543,946</u>	<u>\$ 332,138</u>	<u>\$ 330,266</u>	<u>\$ 662,404</u>	<u>\$ 5,206,350</u>

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

Better World Fund, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (435,831)	\$ 203,180
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized loss (gain) on investments	(580,214)	174,759
Decrease (increase) in other assets	210,007	(225,087)
(Decrease) in accounts payable and accrued expenses	(10,257)	(935,847)
Increase in related party payable	2,302,913	-
(Decrease) increase in unexpended grants	(36,972)	36,972
(Decrease) increase in deferred government grants	(38,404)	38,207
Net cash provided by (used in) operating activities	<u>1,411,242</u>	<u>(707,816)</u>
Cash flows from investing activities		
Purchase of investments	-	(20,945)
Proceeds from the sale of investments	<u>132,297</u>	<u>97,649</u>
Net cash provided by investing activities	<u>132,297</u>	<u>76,704</u>
Change in cash and cash equivalents	1,543,539	(631,112)
Cash and cash equivalents		
Beginning of year	<u>1,977,513</u>	<u>2,608,625</u>
End of year	<u>\$ 3,521,052</u>	<u>\$ 1,977,513</u>

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

Better World Fund, Inc.

Notes to the Financial Statements

Years Ended December 31, 2019 and 2018

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established Better World Fund, Inc. ("BWF" or "Fund") and its sister organization, United Nations Foundation, Inc. ("UNF" or "Foundation"), 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 accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

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.

Liquidity and Availability

As of December 31, 2019, the Fund has certain investments and donor-restricted assets totaling \$6,684,185 available for general expenditures within one year in the normal course of operations. These financial assets available for general expenditures within one year of the balance sheet date, consist of the following:

Cash and cash equivalents	\$ 3,521,052
Investments	<u>3,163,133</u>
	<u>\$ 6,684,185</u>

As part of the Fund's liquidity management plan, cash in excess of daily requirements is invested as described in Note 3.

Valuation of Investments

The Fund carries its investments at fair value to the extent that market quotations are readily available and reliable. To the extent that market quotations are not available or are considered to be unreliable, fair value is estimated by the investment manager under the general oversight of the Board of Directors of the Fund after consideration of factors considered to be relevant, including but not limited to, the type of investment, position size, marketability, (or absence thereof) cost, restrictions on transfer, and available quotations of similar instruments. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that the Fund might reasonably expect to receive upon the current sale of the investment in an arms-length transaction in the investment's principal market.

Better World Fund, Inc.
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The change in net unrealized gains or losses on investment securities is reflected in the Statements of Activities. All gains and losses arising from the sale, collection, or other disposition of investments are accounted for on a specific identification basis calculated as of the transaction date.

See Note 3 for further details on valuation of investments.

Concentration of Credit Risk

Financial instruments, which potentially subject BWF to a concentration of credit risk, consist of demand deposits placed with one financial institution. BWF 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, 2019 and 2018, the aggregate balances in excess of the insurance limits were approximately \$3,270,000 and \$1,730,000, respectively, and therefore bear some risk since they are not collateralized. BWF 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.

Classification of Net Assets

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

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those whose use by BWF is not subject to any donor-imposed stipulations. Net assets without donor restrictions generally result from contributions without donor restrictions, unrealized and realized gains and losses, and interest from investing net assets without donor restrictions in income-producing assets, less expenses 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 net assets without donor restrictions of BWF. The board is free to designate certain portions of its funds for certain activities; however, these are included among net assets without donor restrictions since they are not bound by restrictions imposed by a donor.

Net Assets With Donor Restrictions

Net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

As a result of the dissolution of the former United Nations Association of the United States of America ("UNA-USA") in 2012, BWF received an endowment contribution of \$2,625,000. The interest generated by these funds is for the maintenance and operation of a conference room and for general operations of BWF UNA-USA programs.

Contributions

BWF recognizes unconditional promises to give at fair value in the period received or promised, whichever is earlier. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Contributions are reported as donor 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

Better World Fund, Inc.
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Years Ended December 31, 2019 and 2018

time restriction ends. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions in the Statements of Activities as net assets released from restrictions.

Unconditional promises to give involve fair value measurement only upon initial recognition. Unconditional promises to give, 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 nonprofit organization. This approach is consistent with the guidance provided under Accounting Standards Codification ("ASC") Topic 820. Discount rates are based on market participants. The discount rate for 2019 was 3.21% to 4.36%, however, there were no contributions discounted for 2019.

Grants

BWF makes grants in support of four program priorities established by the board of directors. The amount for which BWF 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 other similar nonprofit organizations. This approach is consistent with the guidance provided under Accounting Standards Codification ("ASC") Topic 820. There were no discounted grants payable in 2019 or 2018.

At the end of the approved grant term and upon completion of BWF'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. As of December 31, 2019, and 2018, grant recoveries and adjustments were recorded related to closed grants with pending refunds in the amounts of \$0 and \$0, respectively.

Government Grants

BWF receives various grants from Federal Government agencies for the purpose of furthering its mission of educating the public regarding the UN and its work. Grants are recognized as support and the related project costs are recorded as expenses when services related to grants are incurred. Grants receivable are included in Other Assets in the Statements of Financial Position. Grant income is included in Government Grants in the Statement of Activities.

BWF receives various grants from Federal Government agencies for the purpose of furthering its mission in the areas of women and population, the environment, and children's health. BWF has determined that there is not exchange back to the granting authority. Therefore, BWF accounts for these grants under the contribution model, which is outside the scope of Topic 606. Revenue is recognized as related project costs are recorded as expenses when services related to grants are incurred. Total Government grants revenue from contributions for the years ended December 31, 2019 and 2018 was \$38,404 and \$32,994 respectively.

In addition, at December 31, 2019, BWF had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of \$9,200. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

Better World Fund, Inc.

Notes to the Financial Statements

Years Ended December 31, 2019 and 2018

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

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact on BWF's financial statements during the years ended December 31, 2019 and 2018 resulting from this guidance.

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.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation has adopted the standard beginning in fiscal year 2019 with no material impact to the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard applies to all entities that receive or make contributions. The guidance clarifies the definition of transactions accounted for as an exchange transaction subject to Topic 606 or other applicable guidance, and transactions that should be accounted for as contributions (non-exchange) subject to the contribution accounting model. Further, the guidance provides criteria for evaluating whether contributions are unconditional or conditional. Conditional contributions must specify a barrier that the recipient must overcome and a right of return that releases the donor from its obligation if the barrier is not achieved, otherwise the contribution is unconditional. This ASU modifies the simultaneous release option currently in GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. The ASU has been applied retrospectively to all periods presented and there is no significant impact to the financial statements.

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In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, a consensus of the FASB Emerging Issues Task Force. ASU 2016-18 intends to address the diversity in practice that exists in the classification and presentation of changes in restricted cash on the Statements of Cash Flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments are effective for the Foundation for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Foundation adopted this guidance beginning with fiscal year ended December 31, 2019. There was not a material impact to the financial statements as a result of adopting this ASU.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The updated guidance improves the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. The guidance is effective for all entities beginning after December 15, 2019. Early adoption is permitted upon issuance of the guidance. The Foundation is evaluating the impact of the new guidance to its financial statements and disclosures beginning in fiscal year 2020.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*”. ASU 2016-02 will require organizations that lease assets - referred to as “lessees” - to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The accounting by organizations that own the assets leased by the lessee - also known as lessor accounting - will remain largely unchanged from current Generally Accepted Accounting Principles (Topic 840 in the Accounting Standards Codification). The guidance is effective for fiscal years beginning after December 15, 2021 for private companies, and early adoption is permitted. The Foundation is in process of assessing the impact of the adoption of ASU 2016-02 on the financial statements beginning in fiscal year 2022.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The current standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. The Foundation is evaluating the impact of the new guidance to its financial statements and disclosures beginning in 2023.

3. Fair Value Measurements

FASB's guidance on the fair value option for financial assets and financial liabilities permits companies to choose to measure many financial assets and liabilities, and certain other items at fair value. This guidance requires a company to record unrealized gains and losses on items for which the fair value option has been elected in the Statement of Activities. The fair value option may be applied on an instrument by instrument basis. Once elected, the fair value option is irrevocable for that instrument. The fair value option can be applied only to entire instruments and not to portions thereof. BWF did not elect fair value accounting for any asset or liability that was not currently required to be measured at fair value.

Better World Fund, Inc.
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Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value standard discusses valuation techniques such as the market approach, cost approach and income approach and establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in this category included listed equities and listed mutual funds.

- Level 2 Pricing inputs including market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The Fund does not hold assets or liabilities in this category.

- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgment or estimation. The Fund does not hold assets or liabilities in this category.

An investment's level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment on the part of the Fund. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the perceived risk of that investment.

The following tables present the financial investments in which BWF invests. The following investments are carried at fair value as of December 31, 2019 and 2018, by the fair valuation hierarchy defined above:

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs Level 2)	Unobservable Inputs (Level 3)	Fair Value at December 31, 2019
Investments				
Mutual fund	<u>\$ 3,163,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,163,133</u>
Balanced fund	<u>\$ 3,163,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,163,133</u>
	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs Level 2)	Unobservable Inputs (Level 3)	Fair Value at December 31, 2018
Investments				
Mutual fund	<u>\$ 2,715,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,715,217</u>
Balanced fund	<u>\$ 2,715,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,715,217</u>

Better World Fund, Inc.
Notes to the Financial Statements
Years Ended December 31, 2019 and 2018

The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above:

Balanced Funds

This asset is a separately held account in an investment fund that is a publicly traded security. The fund invests in 60% stocks and 40% bonds, including domestic and international stock funds and U.S. bond funds. The mutual funds exist in an active market and is classified as Level 1.

The fair value and cost of investments in which BWF invests at December 31 were as follows:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Mutual fund				
Balanced fund	\$ 3,163,133	\$ 2,863,724	\$ 2,715,217	\$ 2,656,652
	<u>\$ 3,163,133</u>	<u>\$ 2,863,724</u>	<u>\$ 2,715,217</u>	<u>\$ 2,656,652</u>

4. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 have been restricted by donors for the following purposes:

	2019	2018
Environment	\$ 7,745	\$ 7,745
UNA-USA	2,948,092	2,771,109
Women and population	1,902	1,902
Advocacy	-	-
	<u>\$ 2,957,739</u>	<u>\$ 2,780,756</u>

5. Release of Net Assets With Donor Restrictions

Net assets with donor restrictions were released from restriction for the following purposes for the years ended December 31:

	2019	2018
Environment	\$ -	\$ 7,056
UNA-USA	283,846	887,462
Advocacy	-	-
	<u>\$ 283,846</u>	<u>\$ 894,518</u>

Better World Fund, Inc.
Notes to the Financial Statements
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6. Endowment Net Assets

The Board of the Fund has interpreted the District of Columbia enacted version of “Uniform Prudent Management of Institutional Funds Act” (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure of the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Fund and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Fund
- (7) The investment policies of the Fund

The Fund had the following endowment balances during the year ended December 31, 2019 and 2018 delineated by net asset class and donor-restricted versus Board-designated funds:

	With Donor Restriction	Total
Donor-restricted endowment funds		
At December 31, 2019	\$ 2,575,000	\$ 2,575,000
At December 31, 2018	\$ 2,575,000	\$ 2,575,000

Changes in Endowment net assets are summarized as follows for the years ended December 31, 2019 and 2018:

	With Donor Restriction	Total
Endowment net assets at January 1, 2019	\$ 2,575,000	\$ 2,575,000
Investment return	375,389	375,389
Appropriation of endowment net assets for expenditures	(375,389)	(375,389)
Endowment net assets at December 31, 2019	<u>\$ 2,575,000</u>	<u>\$ 2,575,000</u>

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	Restriction	Total
Endowment net assets at January 1, 2018	\$ 2,575,000	\$ 2,575,000
Investment return	(153,814)	(153,814)
Appropriation of endowment net assets for expenditures	<u>153,814</u>	<u>153,814</u>
Endowment net assets at December 31, 2018	<u>\$ 153,814</u>	<u>\$ 153,814</u>

Endowment Funds With Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficits of this nature reported in unrestricted net assets as of December 31, 2019 and 2018, respectively.

Return Objectives and Risk Parameters

The Fund has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a composite index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The Fund expects its endowment funds over time, to produce results that meet or exceed the performance of the index and median peer performance for asset benchmarks net of expenses.

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term rate-of-return objectives, the Fund relies on a balanced strategy in which investment returns are achieved through both long-term capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund seeks a balanced asset allocation that places emphasis on equity-based investments and bonds to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

BWF has a policy of reviewing for appropriation each year the investment income for permanently restricted purposes, such as the maintenance and operation of a conference room and for general operations of BWF UNA-USA programs. In establishing this policy, the Fund considered the long-term expected return on its endowment. Accordingly, over the long-term, the Fund expects the current spending policy to allow its endowment to maintain the purchasing power of the original endowment assets held in perpetuity.

7. Related Parties

Contributions

Contributions of \$3,075,000 and \$4,744,228 were received through donations of cash from UNF for the years ended December 31, 2019 and 2018, respectively.

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Grants

In 2019 and 2018, BWF did not approve grants to affiliated organizations, respectively. At December 31, 2019 and 2018, respectively no unexpended grants remained payable to affiliated organizations.

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 2019 and 2018, \$658,488 and \$543,682, respectively, of such cost was incurred and allocated by UNF to BWF and was recorded by UNF as related party payable. The allocation ratio of the operating expenses between UNF and BWF were 95%:5% and 95%:5% for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, \$2,293,705 was payable to UNF by BWF and is included in Related Party Payable in the Statements of Financial Position. At December 31, 2018, \$78,834 was a receivable by from UNF to BWF and is included in Other Assets in the Statements of Financial Position. The components of related party receivable and payable amounts is presented in the following table:

	2019	2018
Related party receivable (due from UNF)	\$ 2,226,446	\$ 1,719,019
Related party payable (due to UNF)	<u>(4,520,151)</u>	<u>(1,640,185)</u>
	<u>\$ (2,293,705)</u>	<u>\$ 78,834</u>

8. Functional Expenses Allocation

The Better World Fund (BWF) is the premier educational and advocacy platform driving support for the United Nations and its causes in the United States. In the Statement of Functional Expenses, BWF allocates expenses between program and supporting services. Program expenses relate to goods and services in support of the mission of our organization and relate to the organization's major programs. Supporting expenses are broken down into management and general and fundraising which are not identifiable with a single program but are indispensable to the conduct of our major programs and overall organizational structure. Expenses are allocated on a percentage basis depending upon usage, and these percentages are reviewed annually.

9. Subsequent Events

BWF has performed an evaluation of subsequent events through June 19, 2020, which is the date the financial statements were available to be issued, noting no additional events which would affect the financial statements as of December 31, 2019.