THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

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Templeton
ACCOUNTANTS & ADVISORS

Report of Independent Auditors

To the Board of Directors of
Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc.
West Palm Beach, Florida

Opinion

We have audited the accompanying financial statements of Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. (a private foundation) (the Foundation), which comprise the statements of net assets – modified cash basis as of December 31, 2021 and 2020, and the related statements of changes in net assets – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Templeton & Company, LLP

West Palm Beach, Florida
November 1, 2022

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

STATEMENTS OF NET ASSETS – MODIFIED CASH BASIS

December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 3,152,146	$ 2,216,125
Investments, at fair value	286,719,382	248,689,387
Total assets	$ 289,871,528	$ 250,905,512
LIABILITIES AND NET ASSETS		
Liabilities	$ -	$ -
Net assets - with donor restrictions	289,871,528	250,905,512
Total liabilities and net assets	$ 289,871,528	$ 250,905,512

See accompanying notes to financial statements.

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED CASH BASIS
For the Years Ended December 31, 2021 and 2020

	2021	2020
With donor restrictions:		
Revenue and support, net:		
Net investment return:		
Net realized gain (loss) on sales of investments	$ 11,052,163	$ (5,533,647)
Net unrealized appreciation on investments	35,335,882	34,633,785
Interest, dividends, and distributions	3,931,368	2,610,332
Net investment return	50,319,413	31,710,470
Total revenue and support, net	50,319,413	31,710,470
Expenses:		
Scholarships and grants distributed	9,026,214	8,367,413
Management and general expenses	2,327,666	2,133,537
Federal excise and other taxes (refunds), net	(483)	325,231
Total expenses	11,353,397	10,826,181
Increase in net assets with donor restrictions	38,966,016	20,884,289
Net assets, beginning of year	250,905,512	230,021,223
Net assets, end of year	$ 289,871,528	$ 250,905,512

See accompanying notes to financial statements.

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets with donor restrictions - modified cash basis	$ 38,966,016	$ 20,884,289
Adjustments to reconcile increase in net assets with donor restrictions to net cash used in operating activities:		
Net realized (gain) loss on sales of investments	(11,052,163)	5,533,647
Net unrealized appreciation on investments	(35,335,882)	(34,633,785)
Net cash used in operating activities	(7,422,029)	(8,215,849)
Cash flows from investing activities:		
Purchases of investments	(41,991,570)	(79,224,962)
Proceeds from sales of investments	50,349,620	87,836,233
Net cash provided by investing activities	8,358,050	8,611,271
Increase in cash and cash equivalents	936,021	395,422
Cash and cash equivalents, beginning of year	2,216,125	1,820,703
Cash and cash equivalents, end of year	$ 3,152,146	$ 2,216,125

See accompanying notes to financial statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization and purpose

The Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. (the Foundation) provides educational scholarships and grants.

The Foundation was incorporated in the State of Florida in 1998 and received all of the assets of the Theodore R. and Vivian M. Johnson Scholarship Foundation, a private foundation trust, (the Foundation Trust) on December 31, 2001 in a tax-free transfer and operates as its successor.

Basis of presentation and accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting and are not intended to be presented in conformity with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when cash is received and expenditures are recognized upon the disbursement of cash, rather than when due or the commitment or obligation is incurred.

Program-related investments (PRIs)

In accordance with Section 4944 of the Internal Revenue Code (Code), the Foundation is permitted to make investments that further some aspect of its charitable mission. The Foundation makes Program Related Investments (PRIs). These types of investments count towards the Foundation’s payment requirement in the year of distribution. Return of PRI principal affects the annual payment requirement in a similar manner as a grant refund.

Classification of net assets

The Foundation records all income or losses from its investments as net assets with donor restrictions. These amounts are subject to donor-imposed restrictions that permit the Foundation to use or expend the assets for grant or operating purposes. The donor restrictions expire when payments are made for grant or operating purposes.

Net assets with donor restrictions of a permanent nature contain donor-imposed restrictions that stipulate the resources be maintained permanently, unless needed to meet the Internal Revenue Service (IRS) distribution requirements, but permit the Foundation to use or expend all of the income derived from the donated assets for grant or operating purposes. There were no net assets with donor restrictions of a permanent nature or such donations received during 2021 or 2020.

Investments

Equity securities with readily determinable fair market values and all debt securities are measured at fair value based on quoted market prices. The values of certain investments are estimated by management of the investee in the absence of readily determinable fair market values.

Investment gains or losses are recognized upon realization, or when the investment values are deemed to have been permanently impaired. The Foundation uses the specific identification method to determine its historical basis, which is based on the fair value at the beginning of the period, in computing realized gains and losses. Unrealized gains and losses are recognized based on changes in fair values during the period for those securities held at the end of the period. Interest, dividends, and distributions are recognized as income when received and are restricted for grant and operating purposes.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies, Continued

Cash and cash equivalents

The Foundation considers all highly-liquid investments with original maturity terms of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Income taxes

The Foundation is incorporated as a private foundation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code) and is classified as a private foundation as defined under Section 509(a) of the Code. In accordance with the provisions of the Code, the Foundation is liable for excise tax on net investment income as defined by the Code and is taxed on unrelated business income for both federal and state income tax purposes. The Taxpayer Certainty and Disaster Relief Act of 2019 reduced the excise tax on net investment income of private foundations from 2% to 1.39% for tax years beginning after December 20, 2019. With regard to unrelated business income, for federal tax purposes, the Foundation is subject to federal corporate tax rates of up to 21% and, for state tax purposes, tax rates range from 4% to 9.8% of allocable taxable income.

Management analyzes tax positions in jurisdictions where it is required to file information and income tax returns. Based on its evaluation, management did not identify any uncertain tax positions taken or expected to be taken that would require disclosure in the financial statements. The Foundation is no longer subject to federal tax examinations for years prior to 2018.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates also affect the amounts of revenue and expenses recognized during the reporting period.

These estimates are based on various assumptions and other factors that management believes to be reasonable under the circumstances, including the potential future effects of the COVID-19 pandemic and other relevant global events. Management believes the accounting estimates are appropriate and reasonably determined, however, due to the inherent uncertainties in making these estimates, it is at least reasonably possible that the significant estimates used will change within the next year.

Functional allocation of expenses

Expenditures incurred in connection with the Foundation's grants paid and expenditures made for operational and administrative purposes have been summarized on a functional basis in the statements of changes in net assets – modified cash basis.

Concentration of credit risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk include the Foundation's cash and cash equivalent accounts. The Foundation maintains its cash deposits with a high credit-quality financial institution. Such balances may exceed the FDIC federally insured limits. Cash and cash equivalent balances were in excess of FDIC limits as of December 31, 2021 and 2020 in the approximate amounts of $2,626,000 and $1,622,000, respectively.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies, Continued

Risks and uncertainties

The investments of the Foundation are exposed to various risks, such as market risk, geographic risk, interest rate risk, foreign currency risk, and credit risk. Due to the level of risk associated with the Foundation's investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near-term would materially affect the Foundation's investment balances and the amounts reported in the statements of changes in net assets – modified cash basis and the statements of net assets – modified cash basis.

The Foundation has significant investments in equities, fixed income securities, private equity partnerships, and mutual funds and is therefore subject to concentrations of investment risk. Investments are generally made by investment managers engaged by the Foundation and the investments are monitored on behalf of the Foundation by an independent investment advisor. The independent investment advisor has discretion with investments in private equity and venture capital and inflation protection managers investments. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

As of December 31, 2021 and 2020, approximately 27% and 34%, respectively, of the Foundation's investments are subject to potential foreign currency risk with the remaining 73% and 66% of the portfolio being held in U.S. dollar-denominated investments, respectively. Economic pressures from numerous factors could contribute to significant foreign currency volatility across the globe. As a result, foreign currency risk could impact investment performance, both short-term and over time.

Published market quotations do not necessarily represent realizable values, particularly where sizable holdings of a fund's unit shares or a company's stock exist. In addition, certain private equity and venture capital fund investment agreements restrict the timing and amounts of fund shares that may be redeemed. Management frequently evaluates various risks related to the Foundation's investments.

Investment concentrations

At December 31, 2021 and 2020, approximately 31% and 30%, respectively, of the Foundation's investments were invested in private funds, which are considered to be alternative investments. These alternative investment funds invest primarily in domestic and foreign private equity partnerships and other alternative investment funds. The fair values of alternative investment funds have been estimated by the Foundation's management in the absence of readily ascertainable market values.

The Foundation may liquidate a portion or all of its investments in the private funds at the then net asset value in a manner provided for under the partnership or investment agreements. These agreements generally provide for exit fees and lock-up periods, as well as restrictions for liquidity positions of the alternative investment funds, thus making the investments non-marketable. Therefore, the values of such funds are not necessarily indicative of the amounts that could be realized in a current transaction.

New accounting pronouncement

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. Among other things, the ASU amends the guidance on the impairment of financial instruments and adds an impairment model known as the current expected credit loss (CECL) model that is based on expected losses rather than incurred losses. Under the new guidance, an entity will recognize an allowance based on its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The guidance is effective for the Foundation for years beginning after December 15, 2022. Currently, the Foundation is evaluating the implications of ASU 2016-13 and its effect on the financial statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies, Continued

Reclassifications

Fair value measurements described in Note 4 as of December 31, 2020 were reclassified to conform to the presentation in the 2021 consolidated financial statements.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of December 31, 2021 are:

Financial assets:	
Cash and cash equivalents	$ 3,152,146
Investments	286,719,382
Total financial assets	289,871,528
Less: financial assets held to meet donor-imposed restrictions	(289,871,528)
Excess amount	$ -

The Foundation must annually pay out a minimum of 5% of the average fair value of its investment assets for the preceding year for charitable and administrative purposes in accordance with private foundation Code requirements.

The Foundation structures its financial assets to manage liquidity in a manner to meet this distribution requirement. The Foundation invests in various short-term investments, marketable securities, and alternative investments, which are available and liquid within one year.

The Foundation's Grant Committee meets three times annually, March, September, and December, to review and approve grant requests. After the meetings, as necessary, the Foundation sells sufficient investments to pay the grants approved and to meet near-term management and general expenditures.

The above table reflects the intent of the Foundation that donor-imposed restrictions are meant for the purpose of operating the Foundation to make grant awards to qualifying educational programs and supporting activity is meant to singularly support the Foundation's grant making programs.

Note 3 – Investments

The cost, fair value, and unrealized appreciation or (depreciation) attributable to the Foundation's investments at December 31, 2021 and 2020 are presented below:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2021:			
United States equities	$ 65,329,756	$ 84,653,134	$ 19,323,378
Foreign equities	53,519,844	71,680,899	18,161,055
Alternative investment strategies	22,636,276	30,180,259	7,543,983
Private equity and venture capital	26,720,039	60,005,916	33,285,877
Inflation protection managers	11,413,899	12,445,573	1,031,674
Fixed income	29,489,606	27,753,601	(1,736,004)
	$ 209,109,420	$ 286,719,382	$ 77,609,963

Note 3 – Investments, Continued

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2020:			
United States equities	$ 60,143,727	$ 72,896,647	$ 12,752,920
Foreign equities	58,492,823	76,428,542	17,935,719
Alternative investment strategies	28,856,741	35,351,002	6,494,261
Private equity and venture capital	21,873,052	37,994,287	16,121,235
Inflation protection managers	11,245,511	11,645,843	400,332
Fixed income	15,013,698	14,373,066	(640,632)
	$ 195,625,552	$ 248,689,387	$ 53,063,835

The cost presented above represents the historical cost basis for income tax purposes. Realized gains or losses for financial reporting purposes for securities sold are determined based on the fair value at the beginning of the period (see Note 1).

Investment advisory fees with certain investment advisors are recorded as reductions to the net unrealized appreciation on investments in the accompanying statements of changes in net assets – modified cash basis for the years ended December 31, 2021 and 2020.

The following is a list of investments representing more than 10% of the total fair value of investments on December 31, 2021:

Investment	2021
Adage Capital Partners	$ 52,223,264
Other (under 10%)	234,496,118
	$ 286,719,382

Note 4 – Fair Value Measurements

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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 the fair value require significant management judgment or estimation. All valuations are reviewed by management. Because of the inherent uncertainty of valuations, values may differ from the values that would have been used had a ready market existed.

Note 4 – Fair Value Measurements, Continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Investments in private partnerships and companies are recorded at an estimate of fair value using metrics such as security prices of comparable public companies, discounted cash flow models, and original investment purchase price multiples, while also incorporating a portfolio company's financial performance and specific factors. Investments measured at fair value on a recurring basis consist of the following types of instruments within the fair value hierarchy as of December 31, 2021 and 2020:

	Fair Value Measurements as of December 31, 2021			
	Level 1:	Level 2:	Level 3:	Total
United States equities	$ 32,429,870	$ 52,223,264	$ -	$ 84,653,134
Foreign equities	39,334,579	30,051,205	2,295,115	71,680,899
Alternative investment strategies	-	6,535,730	23,644,529	30,180,259
Private equity and venture capital	-	-	60,005,916	60,005,916
Inflation protection managers	-	15,367	12,430,206	12,445,573
Fixed income	27,753,601	-	-	27,753,601
Investment, at fair value	$ 99,518,050	$ 88,825,566	$ 98,375,766	$ 286,719,382

	Fair Value Measurements as of December 31, 2020			
	Level 1:	Level 2:	Level 3:	Total
United States equities	$ 32,847,591	$ 40,049,056	$ -	$ 72,896,647
Foreign equities	44,639,825	29,043,048	2,745,669	76,428,542
Alternative investment strategies	-	6,183,422	29,167,580	35,351,002
Private equity and venture capital	-	-	37,994,287	37,994,287
Inflation protection managers	-	1,619,712	10,026,131	11,645,843
Fixed income	14,373,066	-	-	14,373,066
Investment, at fair value	$ 91,860,482	$ 76,895,238	$ 79,933,667	$ 248,689,387

Activity related to the Level 3 investment activity as of December 31, 2021 and 2020, is as follows:

	2021	2020
Purchases (withdrawals), net	$ (7,592,952)	$ (6,408,897)
Net realized gains	4,483,291	712,629
Net unrealized appreciation in fair value	21,551,760	9,741,858
	$ 18,442,099	$ 4,045,590

The Foundation's investments in United States equities consist of publicly traded United States equities.

The Foundation's investments in foreign equities consist of publicly traded foreign mutual funds, feeder funds, and limited partnerships with redemption restrictions ranging from 30 to 60 days in applicable lock-up periods. The Foundation had no unfunded commitments with respect to its foreign equity managers as of December 31, 2021 and 2020.

Note 4 – Fair Value Measurements, Continued

The Foundation's investments in alternative investment strategies consist of investments in hedge funds, primarily limited partnerships and fund of fund investments that invest in multi-strategy funds. The alternative investment strategy investments generally require a sixty to ninety-day notice to redeem the investment with redemption restrictions in place at year-end. Certain of these fund of funds and limited partnership redemptions are at the discretion of the fund managers.

The Foundation's investments in private equity and venture capital investments consist of limited partnership interests and interests in closed-end funds that primarily invest in United States and foreign fund of fund investments in venture capital and private equity capital.

The Foundation's investments in inflation protection managers consist primarily of limited partnership interests that invest in fund of fund energy and real estate securities as well as other direct investments in real estate and energy-related ventures. Fair value is estimated by the information provided by the managers of each underlying fund. Natural resources and real estate limited partnerships are accounted for using pricing models with both observable and unobservable inputs.

The Foundation's fixed income investments consist of treasury bond funds invested for current income with maturities greater than three years.

The Foundation's policy related to fair value measurement hierarchy classification, including any level transfers, occurs as of the end of the reporting period. Realized and unrealized gains or losses related to Level 3 investment activity are included in net investment income on the statements of changes in net assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of December 31, 2021 and 2020, the Foundation had the following commitments to contribute additional capital under the terms of various investment agreements over the next 5-10 years.

Investment Type	2021	2020
Inflation protection managers	$ 7,897,881	$ 2,537,662
Private equity and venture capital	16,635,502	17,971,608
Total unfunded commitments	$ 24,533,383	$ 20,509,270

Note 5 – Foundation Funds

The Foundation's funds are established for the purposes expressed in the Foundation's charter. The Foundation's funds consist of donor-restricted funds and funds designated by the Board of Directors to function as restricted funds. The Foundation's net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors has interpreted the current law, Uniform Prudent Management of Institutional Funds Act (UPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Endowment balances are classified as net assets with donor restrictions and consist solely of accumulated investment return that has yet to be expended in accordance with the terms of the donor agreement. Due to the purpose of the Foundation, all endowment balances are classified as net assets with donor restrictions.

Note 5 – Foundation Funds, Continued

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such funds with deficiencies as of December 31, 2021.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for fund assets that attempt to provide a predictable stream of funding to grant programs supported by its funds while seeking to maintain purchasing power of the assets. Under this policy, as approved by the Board of Directors, the assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate level of investment risk. The Foundation expects that its funds, over time, will provide an average rate of return of approximately 5% annually after adjusting for inflation. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Foundation’s policy is to appropriate for distribution each year such amounts as are determined by the Foundation’s calculation for disbursements as determined by Section 509(a) of the Code. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its assets to grow at an annual rate that is equal to or greater than the rate of inflation. This is consistent with the Foundation’s objective to maintain the purchasing power of the assets.

Changes in net assets for the year ended December 31, 2021 follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of January 1, 2021	$ -	$ 250,905,512	$ 250,905,512
Investment return:			
Interest, dividends, and distributions	-	3,931,368	3,931,368
Net appreciation (realized and unrealized)	-	46,388,045	46,388,045
Total investment return	-	50,319,413	50,319,413
Appropriations for distributions and expenditures	-	(11,353,397)	(11,353,397)
Balance as of December 31, 2021	$ -	$ 289,871,528	$ 289,871,528

Note 6 – Expenses

Expenses for the years ended December 31, 2021 and 2020 are presented as follows:

	2021	2020
Scholarships and grants distributed:		
Scholarship America - UPS	$ 1,285,000	$ 1,205,000
Palm Beach Atlantic University	960,000	1,700,000
Florida School for the Deaf and the Blind	580,000	545,000
Gallaudet University	580,000	545,000
State University System of Florida/disabled	545,000	515,000
University of Florida Foundation	416,950	-
Northwest Indian College	300,000	99,985
Oglala Lakota College	300,000	-
Pathways to Education Canada	300,000	-
Florida Atlantic University Foundation	261,800	107,950
American Indian Graduate Center	201,000	200,000
Clarke School for Hearing and Speech	200,000	225,000
Gonzaga University	200,000	200,000
Landmark College	200,000	-
Bridges From School to Work	152,000	348,000
College for Kids	150,000	230,000
University of Alaska Anchorage	150,000	-
Fort Lewis College	114,711	103,395
The School District of Palm Beach County	110,350	110,350
University of New Brunswick	107,573	-
American Indian Business Leaders	107,500	22,250
American Indian Science and Engineering Society	101,000	50,000
Providence St. Mel School	100,000	100,000
Sonoma State University	100,000	50,000
Weingarten Children's Center	100,000	-
Other	1,403,330	2,010,483
Total scholarships and grants distributed	9,026,214	8,367,413
Management and general expenses:		
Salaries and benefits	719,766	755,928
Employee benefits and payroll taxes	198,257	208,265
Scholarship administrative expenses	548,101	340,624
Investment consultant fees and expenses	256,148	274,856
Office expenses	184,564	217,707
Deferred compensation	142,854	115,163
Professional fees	97,976	50,994
Directors' fees	180,000	170,000
Total management and general expenses	2,327,666	2,133,537
Federal excise and other taxes:		
Federal excise tax	13	326,150
Various other state excise taxes, net of (refunds)	(496)	(919)
Total federal excise and other taxes	(483)	325,231
Total expenses	$ 11,353,397	$ 10,826,181

Note 6 – Expenses, Continued

During 2021 and 2020, the Foundation received refunds of certain federal and state excise taxes paid in prior years. Such refunds offset against tax expenses in 2021 and 2020 under the modified cash basis of accounting.

Note 7 – Lease Agreement

The Foundation leases its premises located in West Palm Beach, Florida pursuant to a non-cancelable operating lease.

In July 2021, management executed a new operating lease which began in April 2022. The new lease term expires in May 2027 and payments are to occur on a monthly basis. Total rent expense for the years ended December 31, 2021 and 2020 was $115,630 and $100,646, respectively.

The minimum future lease payments for the years subsequent to December 31, 2021 are as follows:

Years Ending December 31,	Amount
2022	$ 73,000
2023	100,000
2024	103,000
2025	106,000
2026	109,000
Thereafter	40,000
	$ 531,000

Note 8 – Defined Contribution Plan and Deferred Compensation Arrangement

Defined contribution plan

The Foundation has established a qualified cash or deferred compensation plan (the Plan) under Section 401(k) of the Code for the benefit of qualified employees. Under the terms of the Plan, qualified employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits or may elect to make after tax contributions to their Roth 401(k). The Foundation makes a non-elective match as well as a discretionary contribution to the Plan. The Foundation's contributions for the years ended December 31, 2021 and 2020 totaled $91,056 and $86,415, respectively, and are included in employee benefits and payroll taxes.

Deferred compensation arrangement

The Foundation has a deferred compensation agreement (the agreement) under which a retired employee is due to receive earned compensation in future years. Deferred compensation payable amounted to $549,434 and $571,415 as of December 31, 2021 and 2020, respectively. Such obligation has not been recorded on the Foundation's statements of net assets – modified cash basis. For the years ended December 31, 2021 and 2020, the Foundation paid $142,854 and $115,163, respectively, in deferred compensation under the agreement.

Note 8 – Defined Contribution Plan and Deferred Compensation Arrangement, Continued

Compensation payments remaining under the Foundation's deferred compensation arrangement, assuming an annual return of 7.76% on JSF funds for the years ending December 31, 2022 through 2026, would provide the following payouts:

Years Ending December 31,	Amount
2022	$ 183,145
2023	196,881
2024	216,569
2025	10,828
2026	541
Total	$ 607,964

Note 9 – Grants

The Board of Directors grants awards, contingent on the Foundation's financial performance, to recipient organizations on both a single-year and long-term basis. Such grants are recorded as an expense when the award is disbursed to the recipient in the accompanying financial statements under the modified cash basis of accounting.

The minimum future grant award commitments in each of the five years subsequent to December 31, 2021 based on the projected rate of return of 7.76% per year are as follows:

Years Ending December 31,	Amount
2022	$ 11,116,669
2023	$ 10,473,732
2024	$ 9,725,918
2025	$ 9,848,960
2026	$ 9,930,696

Note 10 – Risks and Uncertainties

The COVID-19 pandemic, unprecedented increases in inflation rates, and the Russian invasion of Ukraine in the Spring of 2022, have, and will, continue to, affect economies and business around the world and have led to volatility in financial markets. As a result, economic uncertainties have arisen which may negatively affect the statement of net assets – modified cash basis, statement of changes in net assets – modified cash basis, and the statement cash flows – modified cash basis of the Foundation. Because the Foundation's investment assets have and will fluctuate in response to changing market conditions, the amount of losses that may be recognized in subsequent periods, if any, and the related impact on the Foundation's investment assets cannot be determined at this time.

In correlation with these risks and uncertainties presented above, the Foundation experienced a net decrease in investments at market value of approximately 18% through September 2022.

Note 11 – Subsequent Events

Management evaluated events occurring subsequent to December 31, 2021 through November 1, 2022, the date on which the financial statements were available to be issued, for matters that should be recorded in the financial statements or disclosed in the footnotes thereto.