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

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Table of Contents

	Page
Report of independent auditors	1–2
Financial statements:	
Statements of net assets - modified cash basis	3
Statements of changes in net assets - modified cash basis	4
Statements of cash flows - modified cash basis	5
Notes to financial statements	6–16

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, 2023 and 2022, 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, 2023 and 2022, 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 the 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
January 10, 2025

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

STATEMENTS OF NET ASSETS – MODIFIED CASH BASIS

December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 6,801,622	$ 4,652,121
Investments, at fair value	245,947,158	233,599,938
Other asset	15,100	15,100
Total assets	$ 252,763,880	$ 238,267,159
LIABILITIES AND NET ASSETS		
Liabilities	$ -	$ -
Net assets - with donor restrictions	252,763,880	238,267,159
Total liabilities and net assets	$ 252,763,880	$ 238,267,159

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, 2023 and 2022

	2023	2022
With donor restrictions:		
Revenue and support, net:		
Net investment return (loss):		
Net realized gain (loss) on sales of investments	$ 1,686,150	$ (1,019,362)
Net unrealized appreciation (depreciation) on investments	23,165,830	(39,717,477)
Interest, dividends, and distributions	3,149,381	3,452,172
Net investment return (loss)	28,001,361	(37,284,667)
Total revenue and support, net	28,001,361	(37,284,667)
Expenses:		
Scholarships and grants distributed	10,672,291	11,204,758
Management and general expenses	2,832,001	2,738,100
Federal excise and other taxes, net	348	376,844
Total expenses	13,504,640	14,319,702
Increase (decrease) in net assets with donor restrictions	14,496,721	(51,604,369)
Net assets, beginning of year	238,267,159	289,871,528
Net assets, end of year	$ 252,763,880	$ 238,267,159

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets with donor restrictions - modified cash basis	$ 14,496,721	$ (51,604,369)
Adjustments to reconcile increase (decrease) in net assets with donor restrictions to net cash used in operating activities:		
Net realized (gain) loss on investments	(1,686,150)	1,019,362
Net unrealized (gain) loss on investments	(23,165,830)	39,717,477
Net cash used in operating activities	(10,355,259)	(10,867,530)
Cash flows from investing activities:		
Purchases of investments	(22,920,021)	(39,474,919)
Proceeds from sales of investments	35,424,781	51,857,524
Increase in other asset	-	(15,100)
Net cash provided by investing activities	12,504,760	12,367,505
Increase in cash and cash equivalents	2,149,501	1,499,975
Cash and cash equivalents, beginning of year	4,652,121	3,152,146
Cash and cash equivalents, end of year	$ 6,801,622	$ 4,652,121

See accompanying notes to financial statements.

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

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. 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. As of December 31, 2023 and 2022, the Foundation has no PRIs.

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 2023 or 2022.

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.

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.

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

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 of up to 1.39% on net investment income as defined by the Code and is taxed on unrelated business income for both federal and state income tax purposes. 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 2020.

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 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, 2023 and 2022 in the approximate amounts of $6,093,000 and $3,726,000, respectively.

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.

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

Risks and uncertainties, continued

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, 2023 and 2022, approximately 30% and 31% respectively, of the Foundation's investments are subject to potential foreign currency risk with the remaining 70% and 69%, respectively, 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, 2023 and 2022, approximately 35% and 34%, 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.

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, 2023 are:

Financial assets:	
Cash and cash equivalents	$ 6,801,622
Investments	245,947,158
Total financial assets	252,748,780
Less: financial assets held to meet donor-imposed restrictions	(252,748,780)
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 grants and allocable charitable administrative purposes in accordance with private foundation Code requirements.

Note 2 – Liquidity and Availability, Continued

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, 2023 and 2022 are presented below:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2023:			
United States equities	$ 65,175,435	$ 72,519,486	$ 7,344,051
Foreign equities	41,605,016	59,251,683	17,646,667
Alternative investment strategies	21,335,388	31,449,406	10,114,018
Private equity and venture capital	31,444,628	53,763,000	22,318,372
Inflation protection managers	9,701,674	10,038,116	336,442
Fixed income	24,669,878	18,925,467	(5,744,411)
	$ 193,932,019	$ 245,947,158	$ 52,015,139

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2022:			
United States equities	$ 53,873,736	$ 62,648,961	$ 8,775,225
Foreign equities	45,452,400	56,601,116	11,148,716
Alternative investment strategies	22,912,250	29,545,337	6,633,087
Private equity and venture capital	29,463,297	50,651,642	21,188,345
Inflation protection managers	9,789,445	11,689,745	1,900,300
Fixed income	28,925,182	22,463,137	(6,462,045)
	$ 190,416,310	$ 233,599,938	$ 43,183,628

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 (depreciation) on investments in the accompanying statements of changes in net assets – modified cash basis for the years ended December 31, 2023 and 2022.

Note 3 – Investments, Continued

The following is a list of investments representing more than 10% of the total fair value of investments on December 31, 2023:

Investment	2023
Adage Capital Partners	$ 55,755,882
Other (under 10%)	190,191,276
	$ 245,947,158

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.

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, 2023 and 2022:

	Fair Value Measurements as of December 31, 2023			
	Level 1:	Level 2:	Level 3:	Total
United States equities	$ 16,763,604	$ 55,755,882	$ -	$ 72,519,486
Foreign equities	47,568,293	-	11,683,390	59,251,683
Alternative investment strategies	-	10,220,778	21,228,628	31,449,406
Private equity and venture capital	-	-	53,763,000	53,763,000
Inflation protection managers	-	-	10,038,116	10,038,116
Fixed income	18,925,467	-	-	18,925,467
Investment, at fair value	$ 83,257,364	$ 65,976,660	$ 96,713,134	$ 245,947,158

Note 4 – Fair Value Measurements, Continued

	Fair Value Measurements as of December 31, 2022			
	Level 1:	Level 2:	Level 3:	Total
United States equities	$ 19,641,317	$ 43,007,644	$ -	$ 62,648,961
Foreign equities	45,539,527	-	11,061,589	56,601,116
Alternative investment strategies	-	8,497,017	21,048,320	29,545,337
Private equity and venture capital	-	-	50,651,642	50,651,642
Inflation protection managers	-	-	11,689,745	11,689,745
Fixed income	22,463,137	-	-	22,463,137
Investment, at fair value	$ 87,643,981	$ 51,504,661	$ 94,451,296	$ 233,599,938

Activity related to the Level 3 investment activity as of December 31, 2023 and 2022, is as follows:

	2023	2022
Purchases (withdrawals), net	$ (262,589)	$ 8,217,143
Net realized (losses)	(576,882)	(218,027)
Net unrealized appreciation (depreciation) in fair value	3,101,309	(11,923,586)
	$ 2,261,838	$ (3,924,470)

The Foundation's investments in United States equities consist of publicly traded United States equities and a private limited partnership investment whose primary investments are 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, 2023 and 2022.

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 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 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.

Note 4 – Fair Value Measurements, Continued

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, 2023 and 2022, 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	2023	2022
Inflation protection managers	$ 7,078,174	$ 6,698,336
Alternative investment strategies	1,200,000	-
Private equity and venture capital	22,037,274	16,202,314
Total unfunded commitments	$ 30,315,448	$ 22,900,650

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.

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. The Foundation has no such funds with perpetual durations as of December 31, 2023.

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.

Note 5 – Foundation Funds, Continued

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, 2023 follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of January 1, 2023	$ -	$ 238,267,159	$ 238,267,159
Investment return:			
Interest, dividends, and distributions	-	3,149,381	3,149,381
Net appreciation (realized and unrealized)	-	24,851,980	24,851,980
Total investment return	-	28,001,361	28,001,361
Appropriations for distributions and expenditures	-	(13,504,640)	(13,504,640)
Balance as of December 31, 2023	$ -	$ 252,763,880	$ 252,763,880

Note 6 – Expenses

Expenses for the years ended December 31, 2023 and 2022 are presented as follows:

	2023	2022
Scholarships and grants distributed:		
Palm Beach Atlantic University	$ 1,455,000	$ 1,080,000
Scholarship America (UPS)	1,445,000	1,610,000
Florida School for the Deaf and the Blind	650,000	730,000
Gallaudet University	650,000	730,000
State University System of Florida	650,000	690,000
University of Florida Foundation	419,350	412,600
Fort Lewis College	315,000	305,148
Institute of American Indian Arts	300,000	329,350
College for Kids, Inc. (d/b/a Take Stock Palm Beach County)	260,000	330,000
Florida Atlantic University Foundation	252,750	246,550
Pathways to Education Canada	250,000	250,000
Bridges From School to Work	250,000	250,000
Elevation Scholars	200,000	50,000
Northwest Indian College	200,000	201,474
Native Forward Scholars Fund	200,000	200,000
Landmark College	200,000	200,000
Groves Learning Organization	150,000	150,000
University of Alaska Anchorage	150,000	150,000
The School District of Palm Beach County	125,610	115,610
Dine College	125,000	100,000
Providence St. Mel School	122,500	100,000

Note 6 – Expenses, Continued

	2023	2022
American Indigenous Business Leaders	$ 103,750	$ 109,000
Nativity Preparatory School of Boston	100,000	200,000
A G Bell Foundation	100,000	75,000
Sonoma State University	100,000	110,000
Weingarten Children's Center	100,000	110,000
Perkins School for the Blind	100,000	100,000
Other (grants less than $100,000)	1,698,331	2,270,026
Total scholarships and grants distributed	10,672,291	11,204,758
Management and general expenses:		
Salaries and benefits	807,862	779,853
Employee benefits and payroll taxes	246,654	205,530
Scholarship administrative expenses	859,969	820,666
Investment consultant fees and expenses	306,035	330,465
Office expenses	201,541	199,482
Deferred compensation	147,329	183,145
Professional fees	87,611	53,959
Directors' fees	175,000	165,000
Total management and general expenses	2,832,001	2,738,100
Federal excise and other taxes:		
Federal excise and other taxes	348	376,844
Total expenses	$ 13,504,640	$ 14,319,702

During 2023, the Foundation paid federal and state excise taxes in connection to 2022. Payment is noted as tax expense in 2023 under the modified cash basis of accounting.

Note 7 – Lease Agreement

The Foundation leases its offices 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 lease term expires in May 2027 and payments are to occur on a monthly basis. Total rent expense for the years ended December 31, 2023 and 2022 was $110,666 and $87,996, respectively.

The minimum future lease payments for the years subsequent to December 31, 2023 are as follows:

Years Ending December 31,	Amount
2024	$ 102,552
2025	106,402
2026	108,811
2027	36,912
	$ 354,677

Note 8 – Defined Contribution Plan and Deferred Compensation Arrangement

Defined contribution plan

The Foundation has established a qualified cash or deferred contribution plan (the Plan) under Section 401(k) of the Internal Revenue 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, 2023 and 2022, totaled $99,209 and $96,186, 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 $182,776 and $294,658 as of December 31, 2023 and 2022, respectively. Such obligation has not been recorded on the Foundation's statements of net assets – modified cash basis. For the years ended December 31, 2023 and 2022, the Foundation paid $147,329 and $183,145, respectively, in deferred compensation under the agreement.

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, 2024 through 2026, will provide the following payouts:

Years Ending December 31,	Amount
2024	$ 182,776
2025	14,183
2026	1,101
Total	$ 198,060

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, 2023 based on a projected rate of return of 7.5% per year are as follows:

Years Ending December 31,	Amount
2024	$ 9,381,980
2025	$ 10,227,027
2026	$ 10,462,905
2027	$ 10,868,369
2028	$ 11,318,852

Note 10 – Risks and Uncertainties

Geopolitical and economic factors have, and will continue to, affect economies and businesses 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 of 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 return on investments from January 2024 through September 2024 of approximately 11.7%.

Note 11 – Subsequent Events

Management evaluated events occurring subsequent to December 31, 2023 through January 10, 2025, 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.