Johnson Scholarship
Foundation

Reaching new heights to serve disadvantaged people by assisting them to obtain education and employment.

$100 MILLION

Annual Report **2014**

The Foundation's Theory of Change

Individual transitions successfully to the workplace or to other life commitments

Individual participates in and contributes to the community and communities are strengthened

Student overcomes barriers to education and successfully completes educational goals

Mission Statement

Our foundation exists to serve disadvantaged people by assisting them to obtain education and employment.

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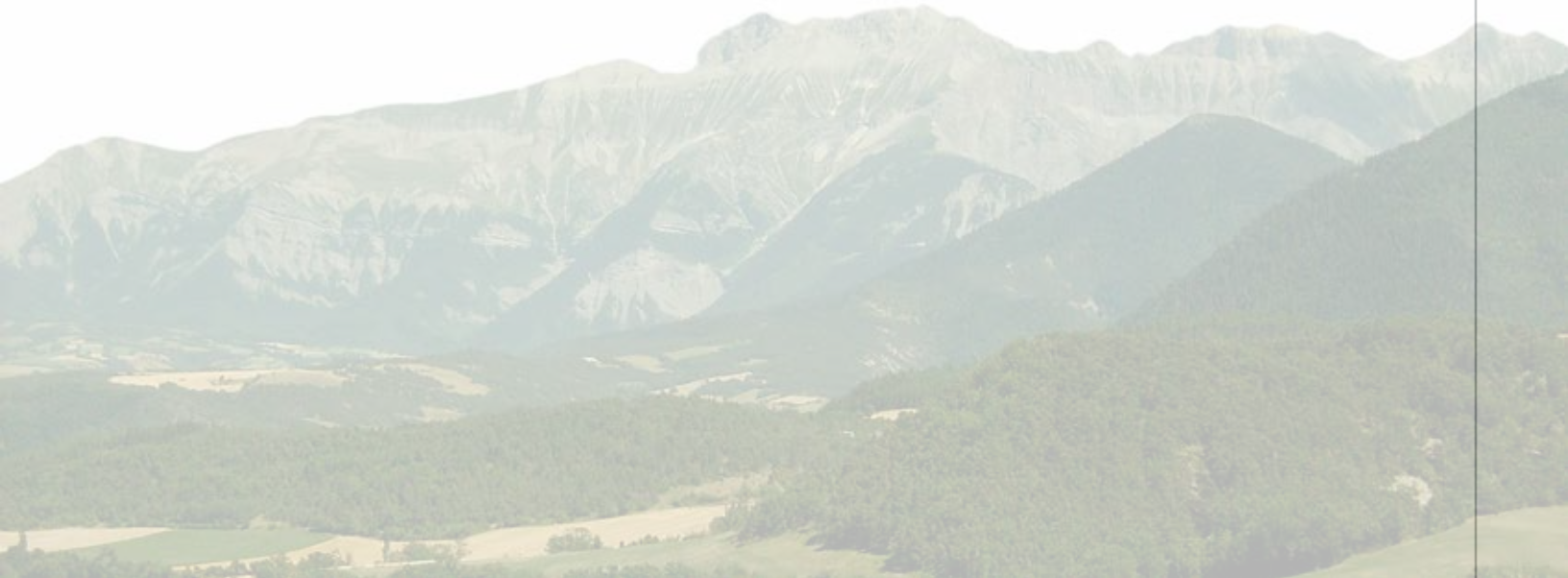

Foundation History

Theodore Roosevelt Johnson began his employment with a fledgling parcel delivery business on the west coast in the early 1920s. The company became known as United Parcel Service and Mr. Johnson, after acquiring his MBA by going to college at night, became its Vice President in charge of Human Resources. As a senior employee Mr. Johnson was given the opportunity to buy stock in the company, which he did whenever he could. By the early 1950s Mr. Johnson and his wife, Vivian Macleod Johnson, were able to retire. They settled in Palm Beach County, Florida and kept their stock in UPS.

During retirement Mr. and Mrs. Johnson gave generously of their time and money to educational causes. By the late 1980s the value of their UPS stock had grown exponentially and the idea of the Johnson Scholarship Foundation began to germinate. Mr. Johnson often said that he and Mrs. Johnson had been "lucky" with money and he wanted to help those who had been less fortunate.

Education had played an important part in Mr. Johnson's career advancement and it was natural for him to use education as a vehicle to help others. Just as education had helped him, it would empower other young people to get good jobs or start companies or to otherwise follow their dreams. Education would be the means for disadvantaged people to participate more fully in the benefits of a free and democratic society.

The Foundation was formally created by Mr. Johnson in 1991 and its assets were consolidated in 1993 with a trust established by Mrs. Johnson, who had predeceased her husband. The Foundation was to provide financial support to individuals who were qualified to attend college but lacked the financial means to do so. Within this broad context of scholarship support, the Johnsons also sought to benefit particular groups and institutions. Among the groups were physically disabled, blind, deaf and hearing-impaired students, American Indians, and children of UPS employees in Florida.

Since inception the Foundation has made grants of over $100 million in support of its mission to assist disadvantaged people to obtain education and employment. The best of these grants have helped people and organizations to grow and reach new heights. Individuals have been empowered to obtain education and productive employment and organizations that serve these individuals have been strengthened and changed.

President's Letter

This year we celebrate $100 million in grants since the Foundation's inception. This is remarkable when one considers that it was originally funded with about $60 million in assets. Good investments, good stewardship and good luck have all contributed to the Foundation reaching this milestone.

The Foundation's endowment presently stands at $172 million and it is also the residual beneficiary of a related trust, which has assets of about $57 million. So we can reasonably expect that it will not take 20 years for the Foundation to grant its next $100 million.

Foundation grants are, in essence, social investments. The Foundation invests in people and in institutions that serve people. The great thing about investing $100 million in grants is that the return on these investments doesn't depend upon the financial markets. It depends upon the people who received the grant or, more specifically, it depends upon what those people do.

The true value or "return" on Foundation grants depends upon what is accomplished. Unlike the stock market, we cannot measure this solely by numbers, percentages or dollar amounts.

A large part of the Foundation's grant making is to provide scholarships. In this Report, we highlight two of our oldest and best scholarship programs, for students in financial need attending Palm Beach Atlantic University and for students with disabilities in the Florida State University System.

Together, our grants to Palm Beach Atlantic University and the State University System have provided scholarships of over $36 million to about twenty thousand different students. The work of managing these programs (and educating the students) has been done by these partner institutions. The results speak for themselves.

Grants for scholarships are solid, safe investments in the future. They help students to pursue education, which in turn helps them to obtain better employment and a more meaningful life. This has a ripple effect on family members and the community. But these grants do not lead directly to systemic change. Scholarships help one person at a time.

Grants that invest in systemic change are inherently more risky than scholarships. They are directed to problems that act as barriers to education for certain segments of people in our society. These grants have the potential to help large numbers of people.

Novel approaches do not always succeed; the problems that they attempt to solve have been around for a long time. In making these grants we try hard to discern what ideas are plausible. This is the art of good grant making, the well calculated risk.

This Report features two well calculated risks, namely Pathways to Education and the Center for American Indian Economic Development. Pathways to Education has developed a system, which it is replicating across Canada to help people in low income families to graduate from high school and attend college. The Center for American Indian Economic Development uses the Seven Generation Money Management Game to teach financial literacy to American Indian high school students.

The Foundation has high hopes for its scholarship recipients and also for its grantees that try game changing ideas. Regardless of how much money it grants, the Foundation's success will always be measured by these people and by what they do.

Grants Strategy & Grants Since Inception

What We Fund

We fund scholarship and other educational programs which serve people who demonstrate financial need. All of the Foundation's programs are meant to help people who, through no fault of their own, do not enjoy the advantages of the affluent. Because the Foundation's resources are limited, its programs need a sharp focus in order to make a difference.

The Foundation's programming is particularly focused on American Indians, people with disabilities and people who are socially and economically disadvantaged. We favor situations where we can identify a desired result, serve as a catalyst to help bring about that result, and then move on to another opportunity. All of these programs address financial need and are designed to help people to obtain meaningful employment.

Who We Fund

The Foundation makes grants only to institutions and organizations. It does not make grants to individuals. Individuals seeking financial aid should apply to one of the Foundation's partner institutions.

How and When to Apply for a Grant

The Foundation accepts and considers proposals from any qualified organization. If you think that your organization qualifies, please visit the Foundation's website at **www.johnsonscholarships.org** and familiarize yourself with the Foundation's mission, strategy and grant making history. If you still think that your organization fits, then submit an online letter of inquiry, which will be reviewed and answered. There is no deadline. The Foundation's Grant Program Committee meets in March, September and December of each year.

Organizations proposing a grant should describe how it would further the Foundation's mission and strategy, what impact it would have and how this impact would be evaluated. The proposal should also contain a plan for the continuation of the activity after the grant has concluded or an explanation of why the activity will no longer be necessary. Proposals should include detailed information about the prospective grantee, its history, mission, strategies, key people and financial circumstances.

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www.facebook.com/johnsonscholarships

Grant Distributions for 2013

PROGRAMS SERVING AMERICAN INDIANS	$1,422,341
CAPE, Ltd.	$495,543
Northern Arizona University Foundation	$228,333
First Peoples Fund	$88,200
Four Bands Community Fund	$75,000
Northeastern State University	$67,500
Little Big Horn College	$62,400
Blackfeet Community College	$55,750
American Indian College Fund	$50,000
Lakota Federal Credit Union	$50,000
Scottsdale Community College	$49,604
Institute of American Indian Art	$49,000
Northwest Indian College	$42,000
University of New Mexico	$36,000
Heritage University	$30,311
First Nations Development Institute	$20,000
Aaniiih Nakoda College f/k/a Fort Belknap Community College	$20,000
National Indian Child Welfare Association	$1,250
Harvard University	$1,000
Oglala Lakota College	$250
National Congress of American Indians	$200

PROGRAMS SERVING PEOPLE WITH DISABILITIES	$2,133,000
Florida State University System of Florida	$550,000
Florida School for the Deaf & the Blind	$475,000
Gallaudet University	$475,000
Eye to Eye	$250,000
National Organization on Disabilities	$150,000
Edge Foundation	$100,000
Clarke School for Hearing and Speech	$50,000
Landmark East School	$50,000
Friends of Buea	$20,000
Florida Atlantic University Foundation	$10,000
Dalhousie University	$3,000

PROGRAMS SERVING THE ECONOMICALLY DISADVANTAGED	$2,986,750
Scholarship Management Services	$1,148,125
Palm Beach Atlantic University	$1,114,000
University of Central Florida	$200,000
University of Florida	$200,000
Berklee College of Music	$50,000
Valencia State College	$50,000
School District of Palm Beach County	$37,175
Christie Foundation	$22,500
Stetson University	$22,500
Eastern Florida State College	$20,000
Seminole State College	$20,000
Cumberland Health Care	$15,000
Providence St. Mel School	$15,000
The Kings Academy	$15,000
Wildlife Conservation Network	$15,000
Halifax Refugee Clinic	$10,000
Lake-Sumter State College	$10,000
Mary's Center	$7,500
Food & Friends	$5,000
Partners In The Horn of Africa	$5,000
Mount St Vincent University	$3,000
Baptist College of Florida	$1,000
East Stroudsburg University	$500
Paden City Foundation	$250
East Stroudsburg Area School District	$100
Flagler College	$100

PROFESSIONAL ORGANIZATIONS (grant portion only)	$13,750
Florida Philanthropic Network	$7,000
Council on Foundations	$5,000
Grantmakers for Education	$1,750

TOTAL DISTRIBUTIONS
$6,555,841

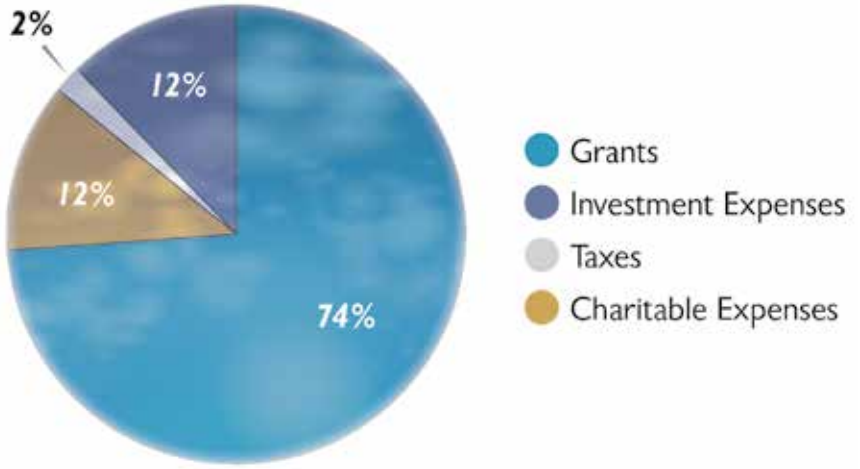
Message from the Treasurer

Our investment objective is to generate long term total returns which will provide a minimum grant distribution of 5%, exceed the rate of inflation and grow our asset base in real dollars. This is consistent with our founder's intention that we continue as a perpetual charitable foundation.

Our Investment/Finance Committee meets quarterly, and together with our independent investment consultants, oversees our investments and rebalances or reallocates as necessary. We report financial information and investment balances to our Directors monthly through our Monthly Reports and semi-annually at the Directors' meetings. Our Audit Committee reviews our financial information quarterly. Our financial records are audited by an outside audit firm and have been since our first year of existence in 1991.

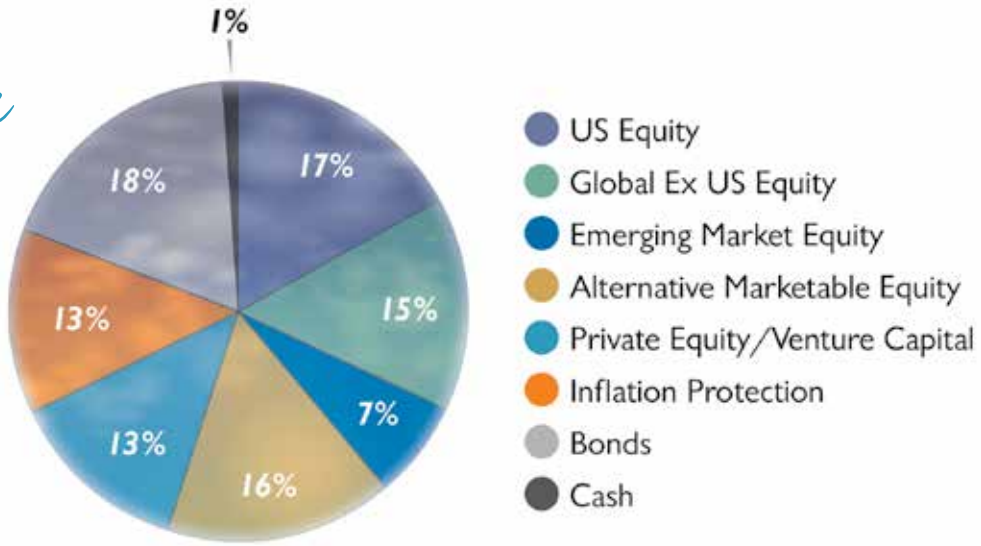
As of December 31, 2013, our total assets were just over $168 million. In addition, the Foundation is the residual beneficiary of a charitable remainder unitrust which, as of December 31, 2013, has assets of just under $57 million.

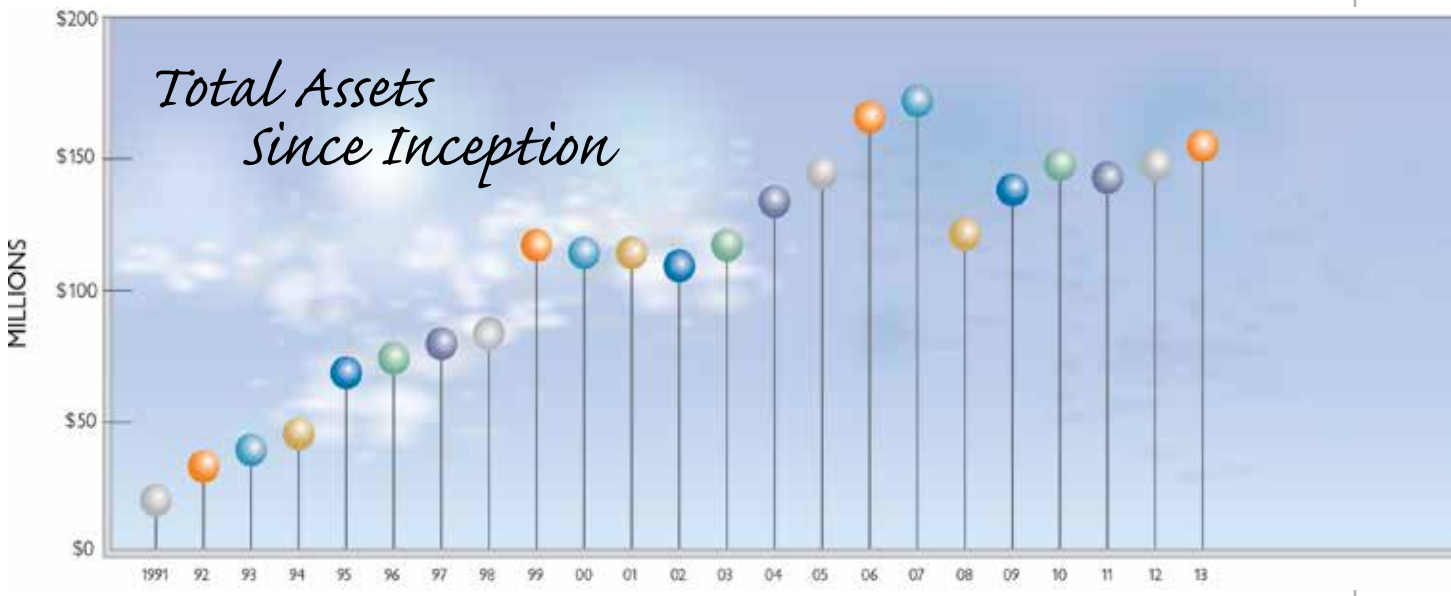
2013 Expenditures



Asset Allocation

as of December 31, 2013





Investment Returns (net of fees) as of December 31, 2013

	TOTAL RETURN (%)			
	Trailing 1-year	Annualized Trailing 3-years	Annualized Trailing 5-years	Annualized Trailing 10-years
Johnson Scholarship Foundation Total Assets	12.75	7.53	11.29	7.99
S&P 500 Index	32.39	16.18	17.94	7.41
Barclays Aggregate Bond Index	-2.02	3.28	4.45	4.55
B of A Merrill Lynch 91-Day Treasury Bills	0.07	0.09	0.12	1.68
Consumer Price Index - All Urban Consumers	1.50	2.07	2.08	2.37

Statement of Changes in Net Assets - Modified Cash Basis

for the years ended December 31, 2013 and 2012

	2013	2012
Temporarily restricted net assets:		
Revenue (loss), net of investment advisory fees:		
Net realized gain on sales of investments	$ 2,462,400	$ 4,005,357
Net unrealized appreciation (depreciation) on investments	14,684,577	8,374,949
Interest, dividends, and distributions	2,837,082	2,634,787
	19,984,059	15,015,093
Expenses:		
Scholarships and grants distributed	6,555,841	6,661,571
Management and general expenses	1,600,240	1,460,115
Federal excise and other taxes, net of (refunds)	(255)	297,424
	8,155,826	8,419,110
Increase (decrease) in temporarily restricted net assets	11,828,233	6,595,983
Net assets, beginning of year	156,254,092	149,658,109
Net assets, end of year:	**$ 168,082,325**	**$ 156,254,092**

Statement of Net Assets - Modified Cash Basis

December 31, 2013 and 2012

	2013	2012
Assets:		
Cash and cash equivalents	$ 2,432,926	$ 6,121,705
Investments, at fair value	165,649,399	150,132,387
Total Assets:	**$ 168,082,325**	**$ 156,254,092**
Liabilities and net assets:		
Liabilities	$ -----	$ -----
Net assets - temporarily restricted	168,082,325	156,254,092
Total liabilities and net assets	**$ 168,082,325**	**$ 156,254,092**

Statement of Cash Flows - Modified Cash Basis

for the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets - modified cash basis:	$ 11,828,233	$ 6,595,983
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized gain on sales of investments	(2,462,400)	(4,005,357)
Net unrealized (appreciation) depreciation on investments	(14,684,577)	(8,374,949)
Net cash used in operating activities	(5,318,744)	(5,784,323)
Cash flows from investing activities:		
Purchases of investments	(7,807,811)	(9,525,950)
Proceeds from sales of investments	9,437,776	20,575,100
Net cash provided by investing activities	1,629,965	11,049,150
Increase (decrease) in cash and cash equivalents	(3,688,779)	5,264,827
Cash and cash equivalents, beginning of year	6,121,705	856,878
Cash and cash equivalents, end of year	**$ 2,432,926**	**$ 6,121,705**

Palm Beach Atlantic University

West Palm Beach, Florida

PALM BEACH ATLANTIC UNIVERSITY

The Johnson Scholarship Foundation has been an entrepreneurship partner with Palm Beach Atlantic University since the inception of the Foundation. Thanks to this shared commitment to a quality education experience, over 10,000 PBAU students have received scholarships from the Foundation. These scholarships go to students with high financial need. With federal and state education funding declining, these scholarships often provide the "gap funding" that makes the difference. PBAU President William M. B. Fleming, Jr. noted that "These scholarship dollars are helping the University retain the students who might otherwise have to interrupt their college career due to financial hardships."

Recipients of Johnson Scholarships have graduated from PBAU with degrees in all disciplines, with especially large numbers in business, psychology, nursing, biology and education. Many of these students are "First Generation" college students.

State University System of Florida

Tallahassee, Florida

STATE UNIVERSITY SYSTEM of FLORIDA
Board of Governors

This program is unique, both in terms of size and the people served. There is no other statewide program in Florida that provides university scholarships for students with disabilities in financial need. Scholarships are provided by the Foundation but the program is managed and delivered by the Board of Governors' Office and the Disability Service Offices of each of the State University Campuses.

Each of the 12 State university campuses has a selection committee to consider scholarship applications, according to a uniform criterion and process. Preference is given to returning students and the rest of the money is divided among the most deserving freshmen. Many of the Universities issue certificates and hold ceremonies in order to celebrate the scholarship award.

In a survey of Johnson Scholarship graduates, 61% noted that receiving the scholarship allowed them to focus on their academics instead of working. Fifty-eight percent (58%) said it helped them to finish their program of study while 45% indicated that it provided an opportunity to attend the university when they could not afford to do so without the scholarship.

Sixty-four percent (64%) of the students surveyed indicated that they found employment within two years of graduation and 29% indicated that the question was not applicable. Fifty-five percent (55%) attended graduate school. Of those employed, 75% found full-time employment of 40 hours or more a week. The starting salary for the job immediately following graduation ranged from $20,000 - $40,000 for 60% while 25% received a salary of more than $40,001.

Pathways To Education Canada

Toronto, ON, Canada

Pathways to Education

Pathways to Education Canada helps youth in low-income communities graduate from high school and successfully transition into post-secondary education.

Distressed by the persistent violence, drug, and gang-related activity, high school dropout rate, and the pervasive sense of hopelessness regarding the future prospects for youth in low income neighborhoods, Pathways knew that they must take action. Thus, the Pathways Program addresses systemic barriers to education by providing leadership, expertise and a community-based program proven to lower dropout rates.

The program includes tutoring, or academic support, and advocacy. This support is delivered through Student-Parent Support Workers (SPSWs); mentoring and social skills development; and financial support in the form of short-term assistance and scholarships which are put towards post-secondary.

From a start in just one neighborhood in Toronto, the Pathways to Education program now operates in 17 communities across Canada.

Center for American Indian Economic Development

Flagstaff , Arizona

The Seven Generation Money Management game (7GMM) is CAIED's innovative hands-on financial literacy game targeting Native American teenagers to increase their money management skills. This experiential learning game provides youth a basic understanding of investing, opening a checking and savings account, purchasing a car and insurance, renting an apartment or buying a house, and other simulated real life transactions.

The 7GMM consists of up to 13 mock businesses. Each mock business includes a cue, which students keep as a reminder of their transaction. To simulate real-life experience, the one-hour session represents one year, with every 15 minute interval equal to three months. If a teenager agrees to an installment loan, e.g., at the car dealership, he or she will be responsible to make payments every 15 minutes. Also, there are randomly dealt "Life Happens" cards, which simulate real life scenarios such as repairing a damaged vehicle.

The goal is to increase financial literacy and skills of youth who play 7GMM. Students will learn critical thinking skills and why financial literacy is important for their extended families.

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David B. Rinker, Ed.D.

West Palm Beach, Florida

Audit Committee,
Grant Program Committee

End of an Era

In September of this year **Diane N. Johnson** retired from the Board. Diane and her husband, Ted Johnson, a founding director of the Foundation and its second President, were honored for their contributions by the Foundation Board, family, friends and many of the Foundation's grantees.

Gonzaga University and the Foundation announced a joint funding agreement to create the Diane and Ted Johnson Scholarship Endowment, which will provide scholarships for American Indian students enrolled in Gonzaga's MBA in American Indian Entrepreneurship.

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Robert Lorence, Ph.D.
American Indian Programing Consultant
Kennewick, Washington

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Exponent Philanthropy

Council on Foundations

Disability Funders Network

Florida Philanthropic Network

Foundation Financial Officers Group

Grantmakers For Education

National Center for Family Philanthropy

National Scholarship Providers Association

Core Values

Mandate
Our Foundation was created from the fruits of the free enterprise system, operating in a free and democratic society. We believe that the free market system is the best in the world, but we recognize that some people fail to benefit fully from the system through no fault of their own. It is these people that the Foundation seeks to assist. Particularly, our mandate is to serve the disabled and those people who are disadvantaged because of their social or economic circumstances.

Education
We have chosen education because we believe that it is the best means to empower people to become more independent and to participate more fully in the benefits of our society.

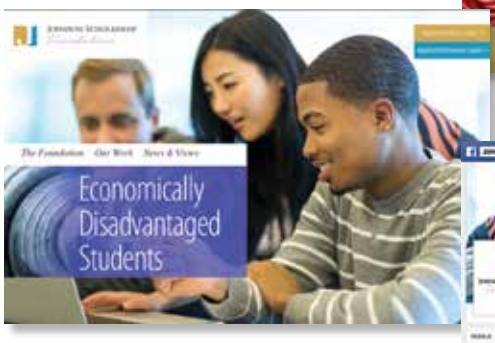
Strategy
Our responsibility is to execute the Foundation's core education programs effectively and to develop new ones. We realize that our resources are limited and, in order to be most effective, we must concentrate our efforts. We must also constantly re-evaluate and improve our programming, and change or replace non-core programs when we find alternatives offering a better combination of value and effectiveness.

Programs
To maximize the impact of our new programs, we feel an obligation to do more than provide scholarship aid to needy individuals. We also seek to identify niche areas which may have been overlooked or under funded by other educational foundations. We seek ways to amplify the impact of our programs through cooperation with other organizations.

Partnership
We realize that our programs are, at best, a catalyst. The people we seek to assist and the organizations that serve them do the real work of change and are usually the best source of ideas for new program initiatives. We look to them to help us understand how to make our work more effective and, whenever we can usefully do so, we engage them as partners.

Risk Taking
Just as the free market system fosters progress through innovation, the Foundation hopes to employ innovative programs to achieve its goals. Cognizant of the fact that innovation always carries with it the risk of failure, we will proceed only after careful evaluation and will monitor our programs closely as they progress.

Stewardship
The Foundation is intended to be a perpetual body and it is our responsibility to improve it with each succeeding generation. We attempt to do this by creative programming, vigilant oversight of existing programs, and careful nurturing of our organization and its financial assets. The Foundation seeks to grow its assets over the long term by achieving at least an annual rate of return of 5% plus the annual inflation rate.



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JOHNSON SCHOLARSHIP
Foundation

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