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

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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templeton & COMPANY
Certified Public Accountants and Consultants

Independent Auditors' Report

Board of Directors
Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc.

We have audited the accompanying financial statements of Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. (a private foundation), which comprise the statements of net assets – modified cash basis of as of December 31, 2012 and 2011, 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.

Management's Responsibility 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; this includes 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of the Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. as of December 31, 2012 and 2011 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.

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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 that matter.

Templeton & Company, LLP

West Palm Beach, Florida
August 21, 2013

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

STATEMENTS OF NET ASSETS – MODIFIED CASH BASIS
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 6,121,705	$ 856,878
Investments, at fair value	150,132,387	148,801,231
Total assets	$ 156,254,092	$ 149,658,109
LIABILITIES AND NET ASSETS		
Liabilities	$ -	$ -
Net assets - temporarily restricted	156,254,092	149,658,109
Total liabilities and net assets	$ 156,254,092	$ 149,658,109

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, 2012 and 2011

	2012	2011
Temporarily restricted net assets:		
Revenue, net of investment advisory fees:		
Net realized gain on sales of investments	$ 4,005,357	$ 1,776,958
Net unrealized appreciation (depreciation) on investments	8,374,949	(4,340,167)
Interest, dividends and distributions	2,634,787	2,651,955
	15,015,093	88,746
Expenses:		
Scholarships and grants distributed	6,661,571	6,105,378
Management and general expenses	1,460,115	1,498,359
Federal excise and other taxes, net of refunds	297,424	190,949
	8,419,110	7,794,686
Increase (decrease) in temporarily restricted net assets	6,595,983	(7,705,940)
Net assets, beginning of year	149,658,109	157,364,049
Net assets, end of year	$ 156,254,092	$ 149,658,109

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, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets - modified cash basis	$ 6,595,983	$ (7,705,940)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized gain on sales of investments	(4,005,357)	(1,776,958)
Net unrealized (appreciation) depreciation on investments	(8,374,949)	4,340,167
Net cash used in operating activities	(5,784,323)	(5,142,731)
Cash flows from investing activities:		
Purchases of investments	(9,525,950)	(25,169,963)
Proceeds from sales of investments	20,575,100	29,308,493
Net cash provided by investing activities	11,049,150	4,138,530
Increase (decrease) in cash and cash equivalents	5,264,827	(1,004,201)
Cash and cash equivalents, beginning of year	856,878	1,861,079
Cash and cash equivalents, end of year	$ 6,121,705	$ 856,878

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.

Donated assets of the Foundation are invested in accordance with donor intention, with earnings derived from such assets used for grant, reinvestment, and operating purposes.

Basis of accounting

The Foundation prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenue is recognized when collected and expenses are recorded when paid, rather than when due or the commitment or obligation is incurred.

Assets and liabilities generally arise from cash transactions, except for non-cash contributions of investments, which are recorded, when received, at their fair values.

Classification of net assets

The Foundation records all income or losses from its investments as temporarily restricted net assets. 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.

Permanently restricted net assets 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 permanently restricted net assets or donations during 2012 or 2011.

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

Investments

Equity securities with readily determinable fair market values and all debt securities are carried at fair values 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.

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 2% 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 38% and, for state tax purposes, tax rates range from 5% to 9% of allocable taxable income.

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. The Foundation is no longer subject to income tax examinations for years prior to 2009.

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. Actual results could differ from those estimates.

Risks and uncertainties

The investments of the Foundation are exposed to various risks, such as market, geographic, interest rate and credit. 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 adviser. 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.

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.

Portfolio investment concentrations

At December 31, 2012, approximately 29% of the Foundation's investments were invested in private funds which are considered 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.

Reclassifications

Certain financial statement items have been reclassified from their 2011 presentation to conform with the 2012 presentation in the financial statements.

Note 2 – Investments

The cost, fair value, and unrealized gain or loss attributable to the Foundation's investments at December 31, 2012 and 2011 are presented below:

	Cost	Fair Value	Unrealized Gain
December 31, 2012:			
United States equities	$ 14,526,721	$ 24,055,222	$ 9,528,501
Non-United States equities	11,271,674	27,063,484	15,791,810
Alternative non-marketable equity entities	19,338,881	23,868,928	4,530,047
Private equity entities and venture capital	19,177,454	21,001,452	1,823,998
Inflation protection managers	14,174,541	21,614,777	7,440,236
Fixed income	26,449,746	32,528,524	6,078,778
	$ 104,939,017	$ 150,132,387	$ 45,193,370
December 31, 2011:			
United States equities	$ 15,642,021	$ 20,991,775	$ 5,349,754
Non-United States equities	17,359,777	29,687,763	12,327,986
Alternative non-marketable equity entities	17,767,873	20,937,291	3,169,418
Private equity entities and venture capital	18,806,454	22,314,677	3,508,223
Inflation protection managers	13,406,108	21,735,676	8,329,568
Fixed income	29,000,577	33,134,049	4,133,472
	$ 111,982,810	$ 148,801,231	$ 36,818,421

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 are recorded as reductions to the net realized gain on sales of investments in the accompanying statements of changes in net assets – modified cash basis in the amount of $835,065 and $460,846 for the years ended December 31, 2012 and 2011, respectively.

The following is a list of investments representing more than 5% of the total fair value of investments at December 31, 2012 and 2011:

Investment	2012	2011
Vanguard Intermediate-Term Treasury Shares	$ 18,568,282	$ 18,066,873
Silchester International Value Equity Trust	12,369,695	10,666,447
Adage Capital Partners	12,137,357	12,358,910
Brandywine Global	9,828,013	9,714,094
Forester Offshore Ltd.	9,415,777	8,613,322
Wellington Trust Company, NA	7,681,796	8,884,035
Other	80,131,467	80,497,550
	$ 150,132,387	$ 148,801,231

Note 3 – Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, 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 under FASB ASC 820 are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities and listed debt instruments and derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments which are generally included in this category include venture capital investments in equity or equity-oriented securities of privately held entities.

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.

The Foundation assesses the fair value classification of each investment at the end of each year, and any transfers between levels are recognized on the date of the event or change in circumstances that caused the transfer. Management's evaluation for the year ended December 31, 2012 resulted in the reclassification of certain investments with an aggregate fair value of $11,319,270 on January 1, 2012. These investments were transferred from Level 3 to Level 2 effective January 1, 2011.

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.

Note 3 – Fair Value Measurements, Continued

The following table summarizes the Foundation's investments based on the valuation methodology applied by the Foundation as of December 31, 2012 and 2011:

	December 31, 2012			
	Level 1: Quoted prices in markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total
United States equities	$ 4,845,488	$ 19,209,734	$ -	$ 24,055,222
Non-United States equities	21,095,828	5,967,656	-	27,063,484
Alternative non-marketable equity entities	-	13,712,090	10,156,838	23,868,928
Private equity entities and venture capital	-	-	21,001,452	21,001,452
Inflation protection managers	-	12,695,000	8,919,777	21,614,777
Fixed income	22,700,511	9,828,013	-	32,528,524
	$ 48,641,827	$ 61,412,493	$ 40,078,067	$ 150,132,387

	December 31, 2011			
	Level 1: Quoted prices in markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total
United States equities	$ 2,925,591	$ 18,066,184	$ -	$ 20,991,775
Non-United States equities	23,791,726	5,896,037	-	29,687,763
Alternative non-marketable equity entities	-	11,319,270	9,618,021	20,937,291
Private equity entities and venture capital	-	-	22,314,677	22,314,677
Inflation protection managers	-	13,669,483	8,066,193	21,735,676
Fixed income	23,419,955	9,714,094	-	33,134,049
	$ 50,137,272	$ 58,665,068	$ 39,998,891	$ 148,801,231

Note 3 – Fair Value Measurements, Continued

The following is a schedule of Level 3 investment activity for the years ended December 31, 2012 and 2011 measured on a recurring basis using significant unobservable inputs:

	Alternative Non-Marketable Equity Entities	Private Equity Entities and Venture Capital	Inflation Protection Managers	Total
Balance as of January 1, 2012	$ 9,618,021	$ 22,314,677	$ 8,066,193	$ 39,998,891
Net unrealized appreciation (depreciation) included in the statement of changes in net assets – modified cash basis	708,354	(1,684,225)	(194,849)	(1,170,720)
Net realized gains included in the statement of changes in net assets – modified cash basis	51,647	1,524,622	166,125	1,742,394
Sales and return of capital	(221,184)	(2,854,322)	(192,942)	(3,268,448)
Purchases	-	1,700,700	1,075,250	2,775,950
Balance as of December 31, 2012	$ 10,156,838	$ 21,001,452	$ 8,919,777	$ 40,078,067

	Alternative Non-Marketable Equity Entities	Private Equity Entities and Venture Capital	Inflation Protection Managers	Total
Balance as of January 1, 2011	$ 16,400,295	$ 19,843,680	$ 7,439,172	$43,683,147
Net unrealized appreciation (depreciation) included in the statement of changes in net assets – modified cash basis	(176,287)	741,464	(130,479)	434,698
Net realized gains included in the statement of changes in net assets – modified cash basis	43,990	65,255	-	109,245
Sales and return of capital	(9,649,977)	(1,245,903)	-	(10,895,880)
Purchases	3,000,000	2,910,181	757,500	6,667,681
Balance as of December 31, 2011	$ 9,618,021	$ 22,314,677	$ 8,066,193	$ 39,998,891

The Foundation's investments in United States equities consist of publicly traded United States equities with no unfunded commitments to United States equity managers as of December 31, 2012.

Note 3 – Fair Value Measurements, Continued

The Foundation's investments in non-United States equities consist of publicly traded funds and limited partnerships with redemption restrictions ranging from 30 to 60 days in applicable lock-up periods. The Foundation has no unfunded commitments with respect to its non-United States equity managers as of December 31, 2012.

The Foundation's investments in alternative non-marketable equity entities consist of investments in hedge funds, primarily limited partnerships and fund of fund investments, that invest in multi-strategy funds. The alternative non-marketable equity entities require a sixty to ninety day notice in order to redeem the investment balances with redemption restrictions in place at year end. There are no unfunded commitments to alternative non-marketable equity entities as of December 31, 2012.

The Foundation's investments in private equity entities and venture capital consist of limited partnership interests and interests in closed-end funds that primarily invest in United States and non-United States fund of fund investments in venture capital and private equity capital. The Foundation has $3,382,842 in related unfunded commitments as of December 31, 2012.

The Foundation's investments in inflation protection managers consists 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. The Foundation has $2,297,000 in related unfunded commitments as of December 31, 2012.

Note 4 – 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 have interpreted the current law, Uniform Management of Institutional Funds Act (UMIFA), which became effective in the State of Florida on July 1, 2012, 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. As a result of this interpretation, the Foundation will classify as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of the subsequent gifts to the endowment; (c) accumulations of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund. Endowment balances are classified as temporarily restricted net assets and consist solely of accumulated instrument 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 temporarily restricted net assets.

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, 2012.

Note 4 – Foundation Funds, Continued

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 average of approximately 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the assets held to provide additional real growth through investment return.

Changes in net assets for the year ended December 31, 2012 follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of January 1, 2012	$ -	$ 149,658,109	$ -	$ 149,658,109
Investment return:				
Interest, dividends and distributions	-	2,634,787	-	2,634,787
Net appreciation (realized and unrealized)	-	12,380,306	-	12,380,306
Total investment return	-	15,015,093	-	15,015,093
Appropriations for distributions and expenditures	-	(8,419,110)	-	(8,419,110)
Balance as of December 31, 2012	$ -	$ 156,254,092	$ -	$ 156,254,092

Note 5 – Expenses

Expenses for the years ended December 31, 2012 and 2011 are presented as follows:

	2012	2011
Scholarships and grants distributed:		
Palm Beach Atlantic University	$ 1,817,500	$ 812,500
Scholarship America	1,040,000	995,000
Florida State University System	550,000	540,000
Gallaudet University	475,000	460,000
The Florida School for the Deaf and the Blind	475,000	460,000
Project Eye to Eye	250,000	25,000
Northern Arizona University Foundation	217,083	59,520
CAPE	210,672	72,290
University of Florida Foundation	210,001	-
Dalhousie University	150,000	150,000
Edge Foundation	150,000	196,800
First Nations Development Institute	100,000	-
The National Organization on Disabilities	100,000	101,000
Blackfeet Community College	91,000	55,000
University of Washington	70,000	70,000
Northeastern State University Foundation	68,750	73,750
The School District of Palm Beach County	67,165	77,165
Berklee College of Music	50,000	50,000
Gonzaga University	50,000	-
Landmark East	50,000	50,000
Little Big Horn College	47,600	50,000
Clarke School for Hearing and Speech	47,500	50,000
University of West Florida	10,000	280,000
American Indian College Fund	-	750,000
University of South Florida	-	120,000
Sinte Gleska University	-	62,263
Transcen Inc.	-	50,000
Take Stock in Children	-	50,000
Other	364,300	445,090
	6,661,571	6,105,378
Management and general expenses:		
Salaries and benefits	613,448	587,763
Scholarship administrative expenses	223,422	291,175
Investment consultant fees and expenses	308,702	313,439
Office expenses	133,609	125,408
Professional fees	34,074	36,470
Directors' consulting fees	66,860	64,104
Directors' fees	80,000	80,000
	1,460,115	1,498,359

Note 5 – Expenses, Continued

	2012	2011
Federal excise and other taxes:		
Federal excise tax	$ 175,000	$ 214,173
Federal unrelated business income tax (refund)	120,000	(27,307)
Florida excise tax	5,000	-
Various other state excise tax (refund)	(2,576)	4,083
	297,424	190,949
	$ 8,419,110	$ 7,794,686

During 2012 and 2011, the Foundation received refunds of certain federal and state excise taxes paid in prior years. Such amounts were offset against expense in 2012 and 2011 under the modified cash basis of accounting.

Note 6 – Lease Agreement

The Foundation leases its premises located in West Palm Beach, Florida pursuant to a non-cancelable operating lease. The following table presents future minimum base rent payments due under the operating lease at December 31, 2012:

Year Ending December 31,	Amount
2013	$ 52,854
2014	54,440
2015	56,072
Total	$ 163,366

Rent expense for the years ended December 31, 2012 and 2011 totaled $51,315 and $49,820, respectively.

Note 7 – Defined Contribution Plan

The Foundation has established a qualified cash or deferred compensation 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 discretionary match as well as a discretionary contribution. The Foundation's contributions for the years ended December 31, 2012 and 2011 totaled $57,642 and $55,281, respectively.

Note 8 – Trust Beneficiary

The Foundation is named as the sole beneficiary of the Theodore R. Johnson Charitable Remainder Unitrust (CRUT). As of December 31, 2012, the CRUT's net asset value approximated $52,000,000. The value of this beneficial interest is not reflected in the accompanying statements of net assets – modified cash due to the Foundation's accounting method.

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, 2012 based on the projected rate of return of 5% per year are as follows:

Year Ending December 31,	Amount
2013	$ 5,875,508
2014	$ 5,890,508
2015	$ 5,944,618
2016	$ 5,645,508
2017	$ 5,187,175

Note 10 – Subsequent Events

Management evaluated activity of the Foundation subsequent to December 31, 2012 through August 21, 2013, the date on which the financial statements were available to be issued, for events that require recognition in the financial statements or disclosure in the notes thereto. There were no subsequent events that required adjustment to or disclosure in the financial statements.