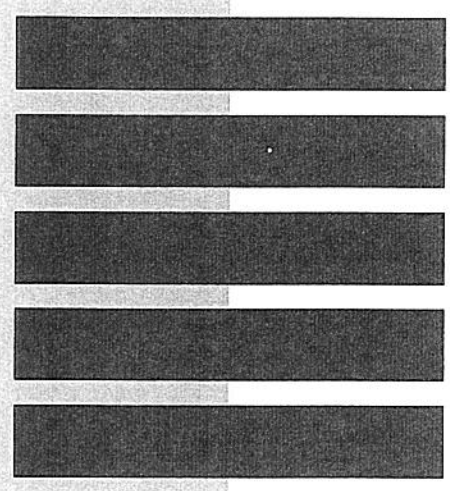

Financial Statements

Theodore R. and Vivian M. Johnson Scholarship Foundation

Years ended April 30, 1996 and 1995
with Report of Independent Auditors

ERNST & YOUNG LLP

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Financial Statements

Years ended April 30, 1996 and 1995

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ERNST & YOUNG LLP

■ **Certified Public Accountants**
Phillips Point, West Tower
Suite 1200
777 South Flagler Drive
West Palm Beach, Florida 33401

■ Phone: 407 655 8500
Fax: 407 838 4191

Report of Independent Auditors

Board of Trustees
Theodore R. and Vivian M. Johnson
Scholarship Foundation

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the Theodore R. and Vivian M. Johnson Scholarship Foundation (the Foundation) as of April 30, 1996 and 1995, and the related statements of changes in restricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on a basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Theodore R. and Vivian M. Johnson Scholarship Foundation at April 30, 1996 and 1995, and the changes in its restricted net assets and its cash flows during the years then ended on the basis of accounting described in Note 1.

Ernst & Young LLP

May 23, 1996

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Statements of Assets and Liabilities
Arising from Cash Transactions

	April 30	
	1996	**1995**
Assets		
Cash and cash equivalents	**$10,931,465**	$ 5,929,273
Investments	**40,354,258**	26,540,781
	$51,285,723	$32,470,054
Restricted net assets	**$51,285,723**	$32,470,054

See accompanying notes.

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Statements of Changes in Restricted Net Assets

	Year ended April 30	
	1996	**1995**
Revenue:		
Contributions	**$18,101,204**	$ 4,030,748
Net realized gain (loss) on sale of investments	**74,487**	(71,465)
Interest and dividends, net of investment advisory fees of $250,213 in 1996 and $129,018 in 1995	**2,612,355**	1,545,090
	20,788,046	5,504,373
Net assets released from restrictions:		
Grants	**1,762,609**	1,133,000
Management and general expenses	**209,768**	139,346
	1,972,377	1,272,346
Increase in restricted net assets	**18,815,669**	4,232,027
Restricted net assets at beginning of year	**32,470,054**	28,238,027
Restricted net assets at end of year	**$51,285,723**	$32,470,054

See accompanying notes.

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Statements of Cash Flows

	Year ended April 30	
	1996	**1995**
Operating activities		
Increase in restricted net assets	**$18,815,669**	$4,232,027
Adjustments to reconcile increase in restricted net assets to net cash provided by operating activities:		
Net realized (gain) loss on sale of investments	**(74,487)**	71,465
Noncash contributions of investments, at fair value	**(13,623,578)**	–
Net cash provided by operating activities	**5,117,604**	4,303,492
Investing activities		
Purchases of investments	**(2,671,431)**	(1,725,151)
Proceeds from sales of investments	**2,556,019**	997,537
Net cash used in investing activities	**(115,412)**	(727,614)
Net increase in cash and cash equivalents	**5,002,192**	3,575,878
Cash and cash equivalents at beginning of year	**5,929,273**	2,353,395
Cash and cash equivalents at end of year	**$10,931,465**	$5,929,273

See accompanying notes.

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Notes to Financial Statements

April 30, 1996 and 1995

1. Nature of Business and Summary of Accounting Policies

Organization and Operations

The Theodore R. and Vivian M. Johnson Scholarship Foundation (the Foundation) was formed on May 28, 1991 to provide educational scholarships and grants to deserving persons who might not otherwise have the financial means to enable them to attend an institution of higher learning.

Donated assets of the Foundation are to be invested in accordance with donor intentions, with income derived from such assets restricted for grant and operating purposes. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, restricted net assets are reported in the statements of changes in restricted net assets as net assets released from restrictions.

Basis of Accounting

The Foundation maintains its accounting records and prepares its statements on a basis of cash receipts and disbursements, 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 noncash contributions of investments, which are recorded when received, at their fair market value.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The cash and cash equivalents are held by the U.S. Trust Company of Florida. The carrying value of cash and cash equivalents in the accompanying financial statements approximate their fair value due to the short-term maturity of these instruments.

1. Nature of Business and Summary of Accounting Policies (continued)

Investments

Investments are recorded at cost when purchased or, if received as a contribution, at their fair market value on the date of the contribution. Because these securities are held for investment purposes and the quoted market values fluctuate during the investment period, gains or losses are recognized (based on the specific identification method) upon realization, or when their values are deemed to have been permanently impaired. Dividends and interest are recognized as income when received and are restricted for subsequent fiscal year grant and operating purposes.

Income Taxes

The Foundation is incorporated as a private foundation and is currently exempt from federal income tax under the provision of Section 509(a) of the Internal Revenue Code; however, it is subject to an excise tax on its net investment income. The Foundation is also exempt from Florida state corporate income tax.

Use of Estimates

The preparation of financial statements on a basis of cash receipts and disbursements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Statements

As of May 1, 1995, the Foundation has applied the provisions of the Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 establishes standards for external financial statements of nonprofit organizations. The financial statements as of April 30, 1995 have been restated for the adoption of SFAS No. 117 in the current year.

In November 1995, FASB issued SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. SFAS No. 124 requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in a statement of activities. SFAS No. 124 is effective for financial statements issued for fiscal years beginning after December 15, 1995. The adoption of SFAS No. 124 by the Foundation for the fiscal year beginning May 1, 1996 is expected to result in a material change to the financial statements.

2. Investments

The aggregate cost or market value on date contributed (carrying value) and market value of the investments at April 30, 1996 and 1995 consist of the following:

	Carrying Value	Market Value	Unrealized Gain (Loss)
1996			
Corporate bonds	**$ 7,281,778**	**$ 7,258,393**	**$ (23,385)**
Preferred stocks	**1,537,477**	**1,586,375**	**48,898**
Common stocks	**31,535,003**	**44,598,628**	**13,063,625**
	$40,354,258	**$53,443,396**	**$13,089,138**
1995			
Corporate bonds	$ 7,281,778	$ 7,148,071	$ (133,707)
Preferred stocks	1,537,477	1,558,375	20,898
Convertible securities	499,030	501,250	2,220
Common stocks	17,222,496	24,526,753	7,304,257
	$26,540,781	$33,734,449	$ 7,193,668

5,823,280
3397,244

The corporate common stocks consist mainly of shares of United Parcel Service (UPS) and Overseas Partners Ltd., a subsidiary of UPS, carried at $25,424,610 and $13,761,032 and valued at $37,388,766 and $20,826,037 as of April 30, 1996 and 1995, respectively. The carrying value of these holdings is determined by the Foundation's management based on information supplied by UPS. The market values have been estimated by the Board of Trustees in the absence of readily ascertainable market values. We have reviewed the procedures used by the Board of Trustees in arriving at its estimate of value of such securities and have inspected underlying documentation and, in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a market for the securities existed, and the differences could be material.

3. Restricted Net Assets

Restricted net assets of $2,955,060 at April 30, 1996 are available for next fiscal year required grant payments and operating expenses. The remaining net assets of $48,330,663 at April 30, 1996 are to be maintained in perpetuity according to donor intentions.

Restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes are as follows:

	Year ended April 30	
	1996	**1995**
Required grant payments:		
Palm Beach Atlantic College	**$ 654,000**	$ 480,000
C.S.F.A. (for the benefit of UPS employees)	**181,609**	153,000
Gallaudet University	**183,000**	120,000
Florida School for the Deaf	**200,000**	120,000
American Indian College Fund	**180,000**	120,000
Tribal Colleges	**184,000**	20,000
Florida State University System	**180,000**	120,000
	1,762,609	1,133,000
Management and general expenses paid:		
Scholarship administrative expense	**15,428**	5,480
Wages	**48,512**	46,672
Rent	**7,200**	7,200
Trustee's fees and other expenses	**60,374**	28,234
Professional services	**38,754**	13,428
Federal excise tax and other taxes	**39,500**	38,332
	209,768	139,346
	$1,972,377	$1,272,346

ERNST & YOUNG LLP

Certified Public Accountants
Phillips Point, West Tower
Suite 1200
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Phone: 407 655 8500
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September 11, 1995

Theodore R. and Vivian M. Johnson
Scholarship Foundation
c/o Mr. Richard A. Krause, Trustee
1520 Mediterranean Road
Lake Clarke Shores, Florida 33406

Dear Mr. Krause:

The purpose of this letter is to outline the anticipated scope of our engagement with the Theodore R. and Vivian M. Johnson Scholarship Foundation (the Foundation).

We will audit the combined financial statements of the Foundation for the year ending April 30, 1996. Should conditions not now anticipated preclude us from completing our audit and issuing a report as contemplated by the preceding paragraph, we will advise you and the Board promptly and take such action as we deem appropriate.

Audit Responsibilities and Limitations

As you are aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material errors, irregularities and illegal acts.

As part of our audit, we will consider, solely for the purpose of determining the nature, timing and extent of our audit procedures, the Foundation's internal control structure over financial reporting. This consideration will not be sufficient to enable us to render a separate opinion on the effectiveness of the internal control structure over financial reporting.

We will determine that the Board and appropriate members of management are informed of irregularities and illegal acts, unless they are clearly inconsequential, of which we become aware. In addition, we will inform the Board and appropriate members of management of significant audit adjustments and of reportable conditions. We also may communicate opportunities we observe for economies in or improved controls over the Foundation's operations.

Management's Responsibilities and Representations

The financial statements are the responsibility of the management of the Foundation, which is also responsible for maintaining an effective internal control structure, for properly recording transactions in the accounting records, for safeguarding assets and for the overall fair presentation of the financial statements.

As required by generally accepted auditing standards, we will make specific inquiries of management about the representations contained in the financial statements and the effectiveness of the internal control structure over financial reporting. Generally accepted auditing standards also require that we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements. We expect management to provide us with complete, accurate and timely information, and its failure to do so may cause us to delay our report, modify our procedures or even terminate our engagement.

Fees and Billings

Our fee for the aforementioned audit will be $4,250, plus out-of-pocket expenses. Billings will be made based on the following schedule:

May	$3,750
June	500
	$4,250

Payment will be due when the bills are rendered.

In subsequent years, we will provide you with a similar estimate of our fees and expenses prior to the commencement of our audit work.

Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the Foundation's records and the representations the Foundation personnel have made to us and are dependent upon the Foundation's personnel providing the agreed-upon level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. In addition, fees for any special audit related projects, such as consultation on business or financial issues, will be billed separately from the audit fee referred to above and may be the subject of written arrangements supplemental to those in this letter.

In the event we are requested or authorized by the Foundation or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Foundation, the Foundation will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Other Matters

Any controversy or claim arising out of or relating to the services covered by this letter or hereafter provided by us to the foundation (including any such matter involving any parent, subsidiary, affiliate, successor in interest or agent of the Foundation or of Ernst & Young LLP) shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in the Exhibit A to this letter. Judgment on any arbitration award may be entered in any court having proper jurisdiction.

If any portion of this letter is held to be void, invalid or otherwise unenforceable, in whole or part, the remaining portions of this letter shall remain in effect.

If these arrangements are acceptable, please sign one copy of this letter and return it to us.

The results of the arbitration will be binding on the parties, and judgment on the arbitrators' award may be entered in any court having jurisdiction.

We very much appreciate the opportunity to serve the Foundation as independent auditors and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. We trust that our association will be a long and mutually beneficial one.

Very truly yours,

Paul C. Bremer
Managing Partner

PCB:srl
Enclosures

THEODORE R. AND VIVIAN M. JOHNSON
SCHOLARSHIP FOUNDATION

By: _____
Richard A. Krause

_____
Date

Theodore R. and Vivian M. Johnson Scholarship Foundation

Exhibit A

Dispute Resolution Procedures

The following procedures shall be used to resolve any controversy or claim ("dispute") as provided in our engagement letter of September 18, 1995 If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. In the mediation process, the parties will try to resolve their differences voluntarily with the aid of an impartial mediator, who will attempt to facilitate negotiations. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the American Arbitration Association ("AAA") or JAMS/Endispute at the request of a party. Any mediator or so designated must be acceptable to all parties.

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute.

The mediation will be treated as a settlement discussion and, therefore, will be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Arbitration

If a dispute has not been resolved within 90 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute will be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the Arbitration Rules for Professional Accounting and Related Services Disputes of the AAA as in effect on the date of the engagement letter ("AAA Rules"). In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, regardless of the size of the dispute, to be selected as provided in the AAA Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may serve on the panel unless he or she has agreed in writing to abide and be bound by these procedures.

The arbitrators may not award nonmonetary or equitable relief of any sort. They shall have no power to award punitive damages or any other damages not measured by the prevailing party's actual damages, and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitrators have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

No discovery will be permitted in connection with the arbitration unless it is expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. Neither the parties nor the arbitrators may disclose the existence, content or results of the arbitration, except as necessary to comply with legal or regulatory requirements. Before making any such disclosure, a party shall give written notice to all parties and shall afford such parties a reasonable opportunity to protect their interests.

THE THEODORE R. & VIVIAN M.
JOHNSON SCHOLARSHIP FOUNDATION

June 6, 1995

Ernst & Young
Phillips Point, West Tower
777 South Flagler Drive, Suite 1200
West Palm Beach, FL 33401

Gentlemen:

In connection with your audit of the financial statements of the Theodore R. and Vivian M. Johnson Scholarship Foundation (the "Foundation") at April 30, 1995 and for the year then ended, we recognized that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion on the financial statements and, accordingly, we make the following representations which are true to the best of our knowledge and belief.

General

We recognize that, as managers of the Foundation, we are responsible for the fair representation of its statements. We believe the balance sheet, statement of revenue, expenses and changes in fund balance, and the statement of cash flow are fairly presented in conformity with generally accepted accounting principles.

We have made available to your representatives all financial records and related data.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Internal Accounting Control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

P.O. BOX 24600
ONE HARVARD CIRCLE
WEST PALM BEACH, FLORIDA 33416-4600
PHONE 407-686-4556
FAX 407-697-3892

Minutes and Contracts

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Ownership and Pledging of Assets

The Foundation has satisfactory title to all assets appearing in the balance sheet. There are no liens or encumbrances on such assets nor has any asset been pledged. All assets to which the Foundation has satisfactory title appear in such statement.

Portfolio securities are stated at value as determined in accordance with valuation method set forth in the current financial statements.

Related Party Transactions

Transactions with related parties, if any, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees, have been properly recorded or disclosed in the financial statements.

Arrangements with Financial Institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, if any, have been properly recorded or disclosed in the financial statements.

Contingent Liabilities

There are no known unasserted claims or assessments that are probable of assertion and must be disclosed.

There have been no known violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction or deficiencies in financial reporting practices.

There are no material liabilities or gain or loss contingencies that are required to be accrued or disclosed nor are there any accruals for loss contingencies included in the balance sheet.

We have not consulted a lawyer concerning litigation, claims or assessments.

Irregularities and Conflicts of Interest

There have been no irregularities involving management or employees who have significant roles in the system of internal accounting control.

There have been no irregularities involving other employees that could have a material effect on the financial statements.

There are no instances where any officer or employee of the Foundation has an interest in a company with which the Foundation does business, which would be considered a "conflict of interest." Such an interest would be contrary to Foundation policy.

Subsequent Events

No events or transactions have occurred since April 30, 1995 which would have a material effect upon the financial statements at the date or for the year then ended, or which are of such significance in relation to the Foundation's affairs as to require mention in a note to the financial statements in order to make them not misleading as to the balance sheet, statement of revenues, expenses and changes in fund balance, and the statement of cash flows of the Foundation.

Very truly yours,

THE THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION

Richard A. Krause

Richard Krause, Trustee

Gloria Stewart

Gloria Stewart, Executive Director