Financial Statements

Theodore R. and Vivian M. Johnson Scholarship Foundation

Years ended April 30, 1999 and 1998
with Report of Independent Auditors

Theodore R. and Vivian M. Johnson Scholarship Foundation

Financial Statements

Years ended April 30, 1999 and 1998

Contents

Report of Independent Auditors 1

Audited Financial Statements

Statements of Restricted Net Assets 2
Statements of Changes in Restricted Net Assets 3
Statements of Cash Flows 4
Notes to Financial Statements 5

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Report of Independent Auditors

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

We have audited the accompanying statements of restricted net assets of the Theodore R. and Vivian M. Johnson Scholarship Foundation (the Foundation) as of April 30, 1999 and 1998, 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 restricted net assets of the Theodore R. and Vivian M. Johnson Scholarship Foundation at April 30, 1999 and 1998, 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

July 7, 1999

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Statements of Restricted Net Assets

	April 30	
	1999	**1998**
Assets		
Cash and cash equivalents	**$ 2,877,784**	$ 1,738,693
Investments	**80,383,575**	74,152,101
Total assets	**$83,261,359**	$75,890,794
Restricted net assets	**$83,261,359**	$75,890,794

See accompanying notes.

Theodore R. and Vivian M. Johnson Scholarship Foundation

Statements of Changes in Restricted Net Assets

	Year ended April 30	
	1999	**1998**
Revenue:		
Net realized gain on sale of investments	**$ 710,096**	$ 1,100,353
Net unrealized gain on investments	**9,062,834**	7,090,940
Interest and dividends, net of investment advisory fees of $171,132 in 1999 and $132,231 in 1998	**1,220,320**	1,498,873
	10,993,250	9,690,166
Net assets released from restrictions:		
Grants	**3,008,098**	2,941,851
Management and general expenses	**614,587**	775,696
	3,622,685	3,717,547
Increase in restricted net assets	**7,370,565**	5,972,619
Restricted net assets at beginning of year	**75,890,794**	69,918,175
Restricted net assets at end of year	**$83,261,359**	$75,890,794

See accompanying notes.

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Statements of Cash Flows

	Year ended April 30 1999	1998
Operating activities		
Increase in restricted net assets	**$7,370,565**	$ 5,972,619
Adjustments to reconcile increase in restricted net assets to net cash used in operating activities:		
Net realized gain on sale of investments	**(710,096)**	(1,100,353)
Net unrealized gain on investments	**(9,062,834)**	(7,090,940)
Net cash used in operating activities	**(2,402,365)**	(2,218,674)
Investing activities		
Purchases of investments	**(4,500,000)**	(11,750,000)
Proceeds from sales of investments	**8,041,456**	13,195,650
Net cash provided by investing activities	**3,541,456**	1,445,650
Increase (decrease) in cash and cash equivalents	**1,139,091**	(773,024)
Cash and cash equivalents at beginning of year	**1,738,693**	2,511,717
Cash and cash equivalents at end of year	**$2,877,784**	$ 1,738,693

See accompanying notes.

Theodore R. and Vivian M. Johnson
Scholarship Foundation

Notes to Financial Statements

April 30, 1999

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 concentration of credit risk associated with cash and cash equivalents is considered low due to the credit quality of the financial institution and the liquidity of these financial instruments. 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

Equity securities with readily determinable fair values and all debt securities are carried at fair values based on quoted market prices for those or similar investments, which are subject to market fluctuation. Closely-held equity securities are carried at fair values as determined by the Foundation's management based on information supplied by the closely-held companies. The 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.

Investment gains or losses are recognized (based on the specific identification method) upon realization, or when their values are deemed to have been permanently impaired. Unrealized gains and losses are recognized based on changes in fair values during the period. Dividends and interest are recognized as income when received and are restricted for subsequent fiscal year grant and operating purposes.

The concentration of credit risk associated with investments is considered low due to the credit quality of the financial institutions.

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.

2. Investments

The cost and fair value of the Foundation's investments at April 30, 1999 and 1998 is presented below:

	Cost	Fair Value
1999		
Limited partnerships:		
Equity investors	**$15,041,110**	**$14,945,919**
Alternative investors	**6,149,276**	**6,893,390**
Common stocks—closely held	**2,451,404**	**38,448,120**
Mutual funds:		
Bond fund	**20,897,254**	**20,096,146**
	$44,539,044	**$80,383,575**
1998		
Limited partnerships:		
Equity investors	$11,876,039	$12,761,961
Alternative investors	7,145,330	7,542,579
Common stocks—closely held	2,471,203	34,543,825
Mutual funds:		
Bond fund	19,244,550	19,303,736
	$40,737,122	$74,152,101

The Limited Partnership investment are investments in limited partnerships that invest in other limited partnerships, which invest in equity securities or non-traditional investments.

3. Restricted Net Assets

Restricted net assets of $3,083,500 at April 30, 1999 are available for 1999's required grant payments and operating expenses. The remaining net assets of $80,177,859 at April 30, 1999 are to be maintained according to donor intentions.

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

	Year ended April 30	
	1999	**1998**
Required grant payments:		
Palm Beach Atlantic College	**$1,200,000**	$1,113,200
Tribal Colleges	**596,898**	540,751
Gallaudet University	**312,000**	312,000
Florida School for the Deaf	**312,000**	312,000
Florida State University System	**301,000**	301,000
C.S.F.A. (for the benefit of UPS employees)	**266,050**	242,900
American Indian College Fund	**20,150**	120,000
	3,008,098	2,941,851
Management and general expenses:		
Custodial and other services fees	**212,779**	340,010
Professional fees	**142,908**	191,472
Federal excise tax and other taxes	**140,259**	133,400
Other expenses	**62,784**	54,854
Trustee's fees	**33,000**	33,000
Scholarship administrative expense	**22,857**	22,960
	614,587	775,696
	$3,622,685	$3,717,547

4. Commitments

In the prior year, the Foundation entered into an agreement with a financial institution to provide custodial and other services to the Foundation for all or any portion of the Foundation's assets for a term of six years at a fee of $125,000 per year.