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

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2001

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

TABLE OF CONTENTS

	Page #
Report of independent accountants	1
Financial statements:	
Statements of net assets-modified cash basis	2
Statements of changes in net assets – modified cash basis	3
Statements of cash flows – modified cash basis	4
Notes to financial statements	5-9

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Report of Independent Accountants

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

We have audited the accompanying statement of net assets – modified cash basis of the Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. (the Foundation) as of December 31, 2001, and the related statements of changes in net assets – modified cash basis and cash flows – modified cash basis for the year 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 audit. The financial statements of the Foundation as of April 30, 2001 and for the fiscal year then ended were audited by other auditors whose report dated July 20, 2001 expressed an unqualified opinion on those statements.

We conducted our audit 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 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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. at December 31, 2001, and changes in net assets – modified cash basis and its cash flows – modified cash basis for the year then ended on the basis of accounting described in Note 1.

Templeton & Company, P.A.

Royal Palm Beach, Florida
October 24, 2002

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

STATEMENTS OF NET ASSETS – MODIFIED CASH BASIS
December 31, 2001 and April 30, 2001

	December 31, 2001	April 30, 2001
ASSETS		
Cash and cash equivalents	$ 1,381,237	$ 223,992
Investments	117,882,889	123,038,685
Total assets	$ 119,264,126	$ 123,262,677
LIABILITIES AND NET ASSETS		
Liabilities	$ -	$ -
Net assets:		
Temporarily restricted	71,316,674	75,315,225
Permanently restricted	47,947,452	47,947,452
Total net assets	119,264,126	123,262,677
Total liabilities and net assets	$ 119,264,126	$ 123,262,677

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 Year Ended December 31, 2001 and the Fiscal Year Ended April 30, 2001

	December 31, 2001	April 30, 2001
Temporarily restricted net assets:		
Revenue, net of investment advisory fees:		
Net realized loss on sale of investments	$ (349,398)	$ (4,866,998)
Net unrealized appreciation on investments	36,990	6,792,573
Interest and dividends	2,739,213	678,811
	2,426,805	2,604,386
Expenses:		
Grants	5,630,445	4,553,432
Management and general expenses	1,097,225	943,029
Federal excise and other taxes	493,524	714,500
	7,221,194	6,210,961
Decrease in temporarily restricted net assets	(4,794,389)	(3,606,575)
Permanently restricted net assets:		
Contributions	-	4,084
Increase in permanently restricted assets	-	4,084
Decrease in net assets	(4,794,389)	(3,602,491)
Net assets, beginning of period	124,058,515	126,865,168
Net assets, end of period	$119,264,126	$123,262,677

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS
For the Year Ended December 31, 2001 and the Fiscal Year Ended April 30, 2001

	December 31, 2001	April 30, 2001
Cash flows from operating activities:		
Decrease in net assets	$ (4,794,389)	$ (3,602,491)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Net realized loss on sale of investments	349,398	4,866,998
Net unrealized appreciation on investments	(36,990)	(6,792,573)
Net cash used in operating activities	(4,481,981)	(5,528,066)
Cash flows from investing activities:		
Purchases of investments	(31,453,473)	(45,821,678)
Proceeds from sales of investments	36,674,842	35,339,276
Net cash provided by (used in) investing activities	5,221,369	(10,482,402)
Increase (decrease) in cash and cash equivalents	739,388	(16,010,468)
Cash and cash equivalents, beginning of period	641,849	16,234,460
Cash and cash equivalents, end of period	$ 1,381,237	$ 223,992

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

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

Organization and Purpose

The Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. (the Foundation) provides educational scholarships and grants to various institutions for deserving persons who might not otherwise have the financial means to enable them to attend an institution of higher learning.

The Foundation 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. Foundation Trust previously reported operating results on an April 30 fiscal year. The Foundation selected a calendar year reporting cycle. The accompanying financial statements include the operations of the Foundation Trust prior to the transfer.

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

Basis of Accounting

The Foundation prepares its financial statements on the modified cash basis of accounting, which is comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 value.

Classification of Net Assets

The Foundation records all income from its investments as temporarily restricted net assets. These amounts are subject to donor-imposed restrictions that permit the Foundation to use or expand 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 distribution requirements, but permit the Foundation to use or expand all of the income derived from the donated assets for grant or operating purposes.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturity terms of three months or less to be cash equivalents. 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. 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 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 values.

Investment gains or losses are recognized upon realization, or when their 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 gain 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. Dividends and interest are recognized as income when received and are restricted for grant and operating purposes.

Income Taxes

The Foundation is incorporated as a private foundation and is currently exempt from federal income tax under the provisions 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 in conformity with the modified cash basis requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Investments

The cost, fair value, and unrealized gain or loss attributable to the Foundation's investments at December 31, 2001 and April 30, 2001 is presented below:

	Cost	Fair Value	Unrealized Gain (Loss)
December 31, 2001:			
United States equity	$ 30,074,826	$ 29,938,830	$ (135,996)
Non-United States equity	11,612,962	14,546,764	2,933,802
Alternative marketable equity entities	8,500,000	12,319,652	3,819,652
Private equity entities and venture capital	1,064,129	790,858	(273,271)
Fixed income	42,409,515	47,317,096	4,907,581
Other	9,945,070	12,969,689	3,024,619
	$ 103,606,502	$ 117,882,889	$ 14,276,387
April 30, 2001:			
United States equity	$ 17,235,031	$ 35,868,085	$ 18,633,054
Non-United States equity	10,973,414	14,546,311	3,572,897
Alternative marketable equity entities	8,500,000	12,107,119	3,607,119
Private equity entities and venture capital	826,629	910,446	83,817
Fixed income	43,897,254	47,808,365	3,911,111
Other	8,399,276	11,798,359	3,399,083
	$ 89,831,604	$ 123,038,685	$ 33,207,081

Note 3 – Expenses

Expenses for the year ended December 31, 2001 and the fiscal year ended April 30, 2001 are presented as follows:

	Year Ended December 31, 2001	Fiscal Year Ended April 30, 2001
Scholarships and grants distributed:		
Palm Beach Atlantic University	$ 1,828,000	$ 1,320,000
Native American Tribal Colleges	750,069	764,041
Gallaudet University	400,000	500,000
Florida School for the Deaf and Blind	400,000	405,500
Florida State University System	514,132	499,132
C.S.F.A. (for the benefit of UPS employees)	603,506	402,500
Berklee College	380,300	200,360
Landmark East	225,000	225,000
Catholic University	119,880	119,880
American Indian Graduate Center	32,500	32,500
American Indian Business Leaders	24,969	14,969
Kiwanis Club of WPB Foundation	52,000	51,000
Other	300,089	18,550
	5,630,445	4,553,432
Management and general expenses:		
Custodial and other services fees	125,000	125,000
Investment fees	26,194	133,398
Professional fees	202,127	125,940
Salaries and benefits	211,978	168,747
Other expenses	233,626	138,005
Trustees' fees	128,097	121,875
Office expenses	81,128	80,302
Scholarship administrative expenses	89,075	49,762
	1,097,225	943,029
Federal excise and other taxes:		
Federal excise tax	480,500	714,500
Other taxes	13,024	-
	493,524	714,500
	$ 7,221,194	$ 6,210,961

Note 4 – Commitments

In 1997, 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.

Subsequent to December 31, 2001, the Foundation entered into a leasing arrangement for certain office space located in West Palm Beach, Florida. Payments due for each of the five years subsequent to December 31, 2001, and thereafter, are as follows:

Year Ending December 31,	
2002	$ 3,720
2003	22,432
2004	23,105
2005	23,798
2006	24,512
Thereafter	20,935
Total	$ 118,502

Rent expense for the year ended December 31, 2001 and the fiscal year ended April 30, 2001 totaled approximately $16,000.

At December 31, 2001, the Foundation has outstanding commitments to fund certain investments in future periods totaling $6,885,000.