

**JESSIE BALL duPONT RELIGIOUS,
CHARITABLE AND EDUCATIONAL
FUND**

**Financial Statements for the Fourteen Month
Period Ended December 31, 2002 and the
Years Ended October 31, 2001 and 2000 and
Independent Auditors' Report**

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INDEPENDENT AUDITORS' REPORT

The Trustees of the Jessie Ball duPont
Religious, Charitable and Educational Fund
Jacksonville, Florida

We have audited the accompanying statements of assets and fund balance arising from cash transactions of the Jessie Ball duPont Religious, Charitable and Educational Fund (the "Fund") as of December 31, 2002, October 31, 2001 and 2000 and the related statements of revenues collected, grants and expenses paid and changes in fund balance, and cash flows for the fourteen month period ended December 31, 2002 and the years ended October 31, 2001 and 2000. These financial statements are the responsibility of the Fund's management. 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 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 discussed in Note 1 to the financial statements, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the assets and fund balance arising from cash transactions of the Jessie Ball duPont Religious, Charitable and Educational Fund as of December 31, 2002 and October 31, 2001 and 2000, and its revenues collected and grants and expenses paid for the fourteen month period ended December 31, 2002 and the years ended October 31, 2001 and 2000, on the basis of accounting described in Note 1.

Deloitte & Touche LLP

January 31, 2003

**Deloitte
Touche
Tohmatsu**

**JESSIE BALL duPONT RELIGIOUS,
CHARITABLE AND EDUCATIONAL FUND**

**STATEMENTS OF ASSETS AND FUND BALANCE ARISING FROM CASH TRANSACTIONS
FOURTEEN MONTH PERIOD ENDED DECEMBER 31, 2002 AND
THE YEARS ENDED OCTOBER 31, 2001 AND 2000**

	2002	2001	2000
ASSETS			
Cash and cash equivalents	\$ 31,612,156	\$ 54,010,500	\$ 13,638,637
Deposits	8,000	-	-
Investments, at market value:			
U.S. Treasury securities	16,149,473	8,361,330	11,776,959
U.S. Government agency securities	31,079,897	31,044,856	36,372,798
Corporate bonds	44,552,420	46,826,558	45,052,823
Northern Trust diversified hedge fund	5,039,472	-	-
Common and preferred stocks	119,744,432	144,650,494	241,376,261
Limited partnership interest	6,766,199	5,793,028	5,615,610
	<u>223,331,893</u>	<u>236,676,266</u>	<u>340,194,451</u>
Fixed assets, at cost less accumulated depreciation of \$56,192, \$90,112 and \$155,334, respectively	<u>86,490</u>	<u>90,261</u>	<u>31,457</u>
Total assets	<u>\$ 255,038,539</u>	<u>\$ 290,777,027</u>	<u>\$ 353,864,545</u>
Commitments (Note 3)			
FUND BALANCE	<u>\$ 255,038,539</u>	<u>\$ 290,777,027</u>	<u>\$ 353,864,545</u>

See accompanying notes to financial statements.

JESSIE BALL DUPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

STATEMENTS OF REVENUES COLLECTED, GRANTS AND EXPENSES PAID AND CHANGES IN FUND BALANCE FOURTEEN MONTH PERIOD ENDED DECEMBER 31, 2002 AND THE YEARS ENDED OCTOBER 31, 2001 AND 2000

	2002	2001	2000
REVENUES COLLECTED:			
Interest	\$ 6,685,607	\$ 7,688,343	\$ 6,770,350
Dividends	2,008,653	7,850,746	3,745,231
Total revenues collected	<u>8,694,260</u>	<u>15,539,089</u>	<u>10,515,581</u>
GRANTS AND EXPENSES PAID:			
Program services:			
Grants paid (Note 2)	13,435,222	13,462,277	16,315,024
Supporting services:			
Salary and benefits	792,178	599,749	545,979
Corporate co-trustee fees	686,957	674,483	782,282
General administration	436,963	444,631	273,867
Program evaluation and support	356,329	205,910	187,199
Professional association fees	233,219	98,629	46,230
Money manager fees	220,874	141,635	172,606
Individual co-trustees' fees	140,000	90,000	90,000
Federal tax expense (benefit)	116,219	341,986	(18,353)
Communications	117,599	102,257	169,111
Legal and audit fees	56,134	53,904	35,732
	<u>3,156,472</u>	<u>2,753,184</u>	<u>2,284,653</u>
Total grants and expenses paid	<u>16,591,694</u>	<u>16,215,461</u>	<u>18,599,677</u>
Deficit of grants and expenses paid over revenues collected before net realized and unrealized (loss) gain on securities	(7,897,434)	(676,372)	(8,084,096)
Net realized and unrealized (loss) gain on securities	<u>(27,841,054)</u>	<u>(62,411,146)</u>	<u>15,773,209</u>
(Deficit) excess of revenues collected and net realized and unrealized (loss) gain on securities over grants and expenses paid	(35,738,488)	(63,087,518)	7,689,113
Fund balance, beginning of period	<u>290,777,027</u>	<u>353,864,545</u>	<u>346,175,432</u>
Fund balance, end of period	<u>\$ 255,038,539</u>	<u>\$ 290,777,027</u>	<u>\$ 353,864,545</u>

See accompanying notes to financial statements.

**JESSIE BALL duPONT RELIGIOUS,
CHARITABLE AND EDUCATIONAL FUND**

STATEMENTS OF CASH FLOWS

**FOURTEEN MONTH PERIOD ENDED DECEMBER 31, 2002 AND
THE YEARS ENDED OCTOBER 31, 2001 AND 2000**

	2002	2001	2000
OPERATING ACTIVITIES:			
(Deficit) excess of revenues collected and net realized and unrealized (loss) gain on securities over grants and expenses paid	\$ (35,738,488)	\$ (63,087,518)	\$ 7,689,113
Adjustments to reconcile (deficit) excess of revenues collected and net realized and unrealized (loss) gain on securities over grants and expenses paid to net cash used in operating activities:			
Unrealized loss on securities, net	21,808,897	75,318,226	17,547,923
Realized loss (gain) on securities, net	6,032,157	(12,907,080)	(33,321,132)
Depreciation expense	15,125	14,852	11,327
Loss on disposal of fixed assets	7,650	2,581	-
Net cash used in operating activities	<u>(7,874,659)</u>	<u>(658,939)</u>	<u>(8,072,769)</u>
INVESTING ACTIVITIES:			
Sales and maturities of investments	98,677,095	151,919,979	116,298,013
Purchases of investments	(113,181,776)	(110,812,940)	(115,066,950)
Acquisition of fixed assets	(19,004)	(76,237)	(7,255)
Net cash (used in) provided by investing activities	<u>(14,523,685)</u>	<u>41,030,802</u>	<u>1,223,808</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,398,344)	40,371,863	(6,848,961)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>54,010,500</u>	<u>13,638,637</u>	<u>20,487,598</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 31,612,156</u>	<u>\$ 54,010,500</u>	<u>\$ 13,638,637</u>

See accompanying notes to financial statements.

JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

NOTES TO FINANCIAL STATEMENTS FOURTEEN MONTH PERIOD ENDED DECEMBER 31, 2002 AND THE YEARS ENDED OCTOBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the basis of cash receipts and disbursements, except for investments which are substantially valued at market. Accordingly, revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Organization - The Jessie Ball duPont Religious, Charitable and Educational Fund (the "Fund") was established by the Will of its founder and principal contributor, Jessie Ball duPont, on November 1, 1976. The Fund is organized as a nonprofit charitable trust and began operations on November 1, 1976 exclusively for religious, charitable, literary, and educational purposes. The principal of the trust shall be held perpetually with all income distributed to various charitable institutions or for specified charitable purposes, as defined by the Will.

Securities - Investments in securities are presented at market value. Realized and unrealized gains or losses are determined by comparison of cost to either proceeds received from the sales or market values. The market value of investment securities is based on the last sales price on the valuation date for those securities traded on national securities exchanges. For securities traded over-the-counter, the last bid price is used. Investments in limited partnerships are valued by Northern Trust Company Family Business Unit.

For bonds purchased at amounts in excess of face value, cost is adjusted for the amortization of premium. Bond premiums are amortized on the straight-line basis from the date of purchase to the maturity date of individual securities and netted against amounts received as interest. Cost and income are not adjusted for securities purchased at discounts.

Security transactions are recorded on the settlement date which is the date on which security transactions are to be settled by the delivery and receipt of securities and the receipt or payment of cash.

Federal Income and Excise Taxes - The Fund has received a tax determination letter indicating that the Fund is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Fund is classified as a private foundation as defined in Sections 509(a) and 4942 and as such is subject to federal excise taxes on its net investment income (dividends, interest and net realized gains on securities transactions reduced by related expenses). For the fourteen month period ended December 31, 2002, the Fund made estimated federal excise tax payments of \$159,000, including estimated overpayments of approximately \$16,000 which will be applied to 2003 tax payments. The Fund made estimated unrelated business tax payments of approximately \$25,000 during the fourteen month period ended December 31, 2002. For the year ended October 31, 2001, the Fund made estimated federal excise tax payments of \$270,000, including estimated tax overpayments of approximately \$29,000 which were applied to 2002 tax payments. The Fund made estimated unrelated business tax payments of \$70,000 during the year ended October 31, 2001. For the

JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

NOTES TO FINANCIAL STATEMENTS FOURTEEN MONTH PERIOD ENDED DECEMBER 31, 2002 AND THE YEARS ENDED OCTOBER 31, 2001 AND 2000 (Continued)

year ended October 31, 2000, the Fund made estimated federal excise tax payments of \$413,000, including estimated tax overpayments of approximately \$39,000 which were applied to 2001 tax payments. The Fund made unrelated estimated unrelated business tax payments of \$29,000 during the year ended October 31, 2000.

Fixed Assets - Fixed assets are recorded at cost and depreciated on the straight-line basis over the estimated useful life of the asset.

Cash and Cash Equivalents - Cash and cash equivalents include a diversified short-term money market fund. Highly-liquid investments purchased with an original maturity of three months or less are considered cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue, and expenses and losses during the reporting period. Actual results could differ from those estimates.

2. GRANTS PAID

During the fourteen month period ended December 31, 2002, the Fund received net loan repayments of \$53,440 and grant refunds of \$259,181 which related to grants paid prior to 2002. During the year ended October 31, 2001, the Fund received loan repayments of \$40,000 and grant refunds of \$96,820 (\$54,189 related to grants paid prior to 2001). During the year ended October 31, 2000, the Fund received loan repayments of \$65,600 and grant refunds of \$43,605 (\$34,182 related to grants paid prior to 2000). Accordingly, grants paid has been reduced by \$312,621, \$122,748 and \$109,205, for the fourteen month period ended December 31, 2002 and the years ended October 31, 2001 and 2000, respectively.

3. COMMITMENTS

Grants - The Fund is a private foundation and is required by Section 4942 of the Code, to pay out, as qualifying distributions, a specified percentage of the average market value of the Fund's noncharitable assets. At December 31, 2002, the Fund had approved grants of \$5,343,989 to be funded in subsequent years. The Fund distributed approximately \$194,000, \$291,000 and \$412,000 more than the minimum requirements for the fourteen month period ended December 31, 2002 and the years ended October 31, 2001 and 2000, respectively.

Excess distributions are carried over to offset future years' minimum distribution requirements. Excess distributions of approximately \$890,000 are available for carryover to offset the minimum distribution requirements through the year ending December 31, 2006, (\$405,000 expiring in 2004, \$291,000 expiring in 2005, \$194,000 expiring in 2006).

JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

NOTES TO FINANCIAL STATEMENTS FOURTEEN MONTH PERIOD ENDED DECEMBER 31, 2002 AND THE YEARS ENDED OCTOBER 31, 2001 AND 2000 (Concluded)

Operating Leases - The Fund leases office space and office equipment under operating leases. Lease expense was approximately \$144,000, \$111,000 and \$69,000 for the fourteen month period ended December 31, 2002 and the years ended October 31, 2001 and 2000, respectively. Minimum commitments on operating leases at December 31, 2002 are as follows:

Year Ending December 31,

2003	\$ 126,802
2004	130,327
2005	133,616
2006	56,090
	<u>\$ 446,835</u>

4. RETIREMENT PLAN

The Fund sponsors a Simplified Employee Pension Plan in which 12 percent of the annual salary of each full-time employee is contributed by the Fund. Contributions for the fourteen month period ended December 31, 2002 and the years ended October 31, 2001 and 2000 were \$71,758, \$54,737 and \$50,808, respectively.

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