

***Jessie Ball duPont
Religious, Charitable and
Educational Fund***

*Financial Statements for the Year Ended
December 31, 2003, the Fourteen-Month Period
Ended December 31, 2002,
and the Year Ended October 31, 2001
and Independent Auditors' Report*

JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

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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, 2003 and 2002, and October 31, 2001, and the related statements of revenues collected, grants and expenses paid, and changes in fund balance and cash flows for the year ended December 31, 2003, the fourteen-month period ended December 31, 2002, and the year ended October 31, 2001. 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, 2003 and 2002, and October 31, 2001, and its revenues collected, grants and expenses paid, and changes in fund balance and cash flows for the year ended December 31, 2003, the fourteen-month period ended December 31, 2002, and the year ended October 31, 2001, on the basis of accounting described in Note 1.

March 15, 2004

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

**STATEMENTS OF ASSETS AND FUND BALANCE ARISING FROM CASH TRANSACTIONS
YEAR ENDED DECEMBER 31, 2003,
FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002, AND
YEAR ENDED OCTOBER 31, 2001**

	2003	2002	2001
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 19,326,199	\$ 31,612,156	\$ 54,010,500
DEPOSITS		8,000	
INVESTMENTS—At market value:			
U.S. Treasury securities	14,929,158	16,149,473	8,361,330
U.S. Government agency securities	29,602,221	31,079,897	31,044,856
Corporate bonds	42,673,870	44,552,420	46,826,558
Northern Trust Diversified Hedge Fund	5,518,974	5,039,472	
Common and preferred stocks	161,747,697	119,744,432	144,650,494
Limited partnership interests	<u>7,371,138</u>	<u>6,766,199</u>	<u>5,793,028</u>
	<u>261,843,058</u>	<u>223,331,893</u>	<u>236,676,266</u>
FIXED ASSETS—At cost, less accumulated depreciation of \$64,335, \$56,192, and \$90,112, respectively	<u>93,145</u>	<u>86,490</u>	<u>90,261</u>
Total assets	<u>\$ 281,262,402</u>	<u>\$ 255,038,539</u>	<u>\$ 290,777,027</u>
COMMITMENTS (Note 3)			
FUND BALANCE	<u>\$ 281,262,402</u>	<u>\$ 255,038,539</u>	<u>\$ 290,777,027</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
YEAR ENDED DECEMBER 31, 2003,
FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002, AND
YEAR ENDED OCTOBER 31, 2001**

	2003	2002	2001
REVENUES COLLECTED:			
Interest	\$ 5,020,805	\$ 6,685,607	\$ 7,688,343
Dividends	<u>1,871,115</u>	<u>2,008,653</u>	<u>7,850,746</u>
Total revenues collected	<u>6,891,920</u>	<u>8,694,260</u>	<u>15,539,089</u>
GRANTS AND EXPENSES PAID:			
Grants paid (Note 2)	11,403,912	13,435,222	13,462,277
Supporting services:			
Audit fees	23,500	22,000	22,000
Communications	107,148	117,599	102,257
Corporate co-trustee fees	233,861	343,478	337,242
Depreciation expense	18,328	15,125	14,852
Federal and state tax expense	241,639	116,219	341,986
Fringe benefits and employee taxes	188,756	191,912	139,259
Individual co-trustees' fees	120,000	140,000	90,000
Legal fees	100,513	34,134	31,904
Money manager fees	389,346	564,353	478,877
Occupancy	123,727	139,410	111,102
Professional association fees	138,694	233,219	98,629
Professional meetings and development	38,737	26,806	32,214
Program consulting fees and travel	306,259	286,044	133,976
Program evaluation and support	89,560	70,285	71,934
Salaries	579,207	600,266	460,490
Technology and other office expenses	92,027	154,594	181,544
Trustee and staff travel expenses	90,263	99,676	104,111
Other miscellaneous expenses	<u>2,212</u>	<u>1,352</u>	<u>807</u>
Total grants and expenses paid	<u>14,287,689</u>	<u>16,591,694</u>	<u>16,215,461</u>
Deficit of grants and expenses paid over revenues collected before net realized and unrealized gain (loss) on securities	(7,395,769)	(7,897,434)	(676,372)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON SECURITIES	<u>33,619,632</u>	<u>(27,841,054)</u>	<u>(62,411,146)</u>
Excess (deficit) of revenues collected and net realized and unrealized gain (loss) on securities over grants and expenses paid	26,223,863	(35,738,488)	(63,087,518)
FUND BALANCE—Beginning of year	<u>255,038,539</u>	<u>290,777,027</u>	<u>353,864,545</u>
FUND BALANCE—End of year	<u>\$ 281,262,402</u>	<u>\$ 255,038,539</u>	<u>\$ 290,777,027</u>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003,
FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002, AND
YEAR ENDED OCTOBER 31, 2001**

	2003	2002	2001
OPERATING ACTIVITIES:			
Excess (deficit) of revenues collected and net realized and unrealized gain (loss) on securities over grants and expenses paid	\$ 26,223,863	\$ (35,738,488)	\$ (63,087,518)
Adjustments to reconcile excess (deficit) of revenues collected and net realized and unrealized gain (loss) on securities over grants and expenses paid to net cash used in operating activities:			
Decrease in deposits	8,000		
Unrealized (gain) loss on securities—net	(32,032,017)	21,808,897	75,318,226
Realized (gain) loss on securities—net	(1,587,615)	6,032,157	(12,907,080)
Depreciation expense	18,328	15,125	14,852
Loss on disposal of fixed assets		7,650	2,581
Net cash used in operating activities	<u>(7,369,441)</u>	<u>(7,874,659)</u>	<u>(658,939)</u>
INVESTING ACTIVITIES:			
Sales and maturities of investments	94,131,238	98,677,095	151,919,979
Purchases of investments	(99,022,771)	(113,181,776)	(110,812,940)
Acquisition of fixed assets	(24,983)	(19,004)	(76,237)
Net cash (used in) provided by investing activities	<u>(4,916,516)</u>	<u>(14,523,685)</u>	<u>41,030,802</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,285,957)	(22,398,344)	40,371,863
CASH AND CASH EQUIVALENTS—			
Beginning of period	<u>31,612,156</u>	<u>54,010,500</u>	<u>13,638,637</u>
CASH AND CASH EQUIVALENTS—			
End of period	<u>\$ 19,326,199</u>	<u>\$ 31,612,156</u>	<u>\$ 54,010,500</u>

See accompanying notes to financial statements.

JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003, FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002, AND YEAR ENDED OCTOBER 31, 2001

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 year ended December 31, 2003, the Fund made estimated federal excise tax payments of \$138,500. 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 were applied to 2003 tax payments. 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.

JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003, FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002 AND YEAR ENDED OCTOBER 31, 2001 (Continued)

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.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year presentation.

2. GRANTS PAID

During the year ended December 31, 2003, the Fund received net loan repayments of \$38,460 and grant refunds of \$24,747 which related to grants paid prior to 2003. 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).

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, 2003, the Fund had approved grants of \$4,151,430 to be funded in subsequent years. At December 31, 2002, the Fund had approved grants of \$5,343,989 to be funded in subsequent years. The Fund distributed approximately \$635,000, \$194,000, and \$291,000 more than the minimum requirements for the year ended December 31, 2003, the fourteen-month period ended December 31, 2002, and the year ended October 31, 2001, respectively.

Excess distributions are carried over to offset future years' minimum distribution requirements. Excess distributions of approximately \$1,532,000 are available for carryover to offset the minimum distribution requirements through the year ending December 31, 2006 (\$412,000 expiring in 2004, \$291,000 expiring in 2005, \$194,000 expiring in 2006, \$635,000 expiring in 2007).

Operating Leases—The Fund leases office space and office equipment under operating leases. Lease expense was approximately \$127,000, \$144,000, and \$111,000 for the year ended December 31, 2003, for the fourteen-month period ended December 31, 2002, and the year ended October 31, 2001, respectively. Minimum commitments on operating leases at December 31, 2003 are as follows:

JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003, FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002 AND YEAR ENDED OCTOBER 31, 2001 (Continued)

Year Ending December 31,

2004	\$ 131,633
2005	134,868
2006	<u>57,592</u>
	<u>\$ 324,093</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 year ended December 31, 2003, the fourteen-month period ended December 31, 2002, and the year ended October 31, 2001 were \$68,531, \$71,758, and \$54,737, respectively.

5. MERRILL LYNCH CONSULTING SERVICES

The Fund has employed Merrill Lynch Consulting Services to measure and evaluate the performance of the Fund's investments. Expenses incurred by the Fund related to these services are credited to the Fund by the Fund's Investment Managers. The credited consulting expenses for the year ended December 31, 2003, the fourteen-month period ended December 31, 2002, and the year ended October 31, 2001 were \$91,875, \$50,250, and \$60,000, respectively.

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