

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

*Financial Statements*

*Years Ended December 31, 2004 and 2003  
and the Fourteen-Month Period Ended  
December 31, 2002,  
and Independent Auditors' Report*

# JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

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## INDEPENDENT AUDITORS' REPORT

Trustees  
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, 2004, 2003, and 2002, and the related statements of revenues collected, grants and expenses paid, and changes in fund balance, and cash flows for the years ended December 31, 2004 and 2003 and the fourteen-month period ended December 31, 2002. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2004, 2003, and 2002, and its revenues collected, grants and expenses paid, and changes in fund balance and cash flows for the years ended December 31, 2004 and 2003 and the fourteen-month period ended December 31, 2002, on the basis of accounting described in Note 1.

March 15, 2005

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

**STATEMENTS OF ASSETS AND FUND BALANCE ARISING FROM CASH TRANSACTIONS  
DECEMBER 31, 2004, 2003, and 2002**

	2004	2003	2002
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS	\$ 11,896,649	\$ 19,326,199	\$ 31,612,156
DEPOSITS			8,000
INVESTMENTS—At market value:			
U.S. Treasury securities	1,102,891	14,929,158	16,149,473
U.S. government agency securities	11,521,378	29,602,221	31,079,897
Corporate bonds	79,717,376	42,673,870	44,552,420
Northern Trust Diversified Hedge Fund	7,818,654	5,518,974	5,039,472
Common and preferred stocks	173,403,833	161,747,697	119,744,432
Limited partnership interests	<u>5,030,000</u>	<u>7,371,138</u>	<u>6,766,199</u>
	<u>278,594,132</u>	<u>261,843,058</u>	<u>223,331,893</u>
FIXED ASSETS—At cost, less accumulated depreciation of \$75,231, \$64,335, and \$56,192, respectively	<u>108,178</u>	<u>93,145</u>	<u>86,490</u>
Total assets	<u>\$ 290,598,959</u>	<u>\$ 281,262,402</u>	<u>\$ 255,038,539</u>
COMMITMENTS (Note 3)			
<b>FUND BALANCE</b>	<u>\$ 290,598,959</u>	<u>\$ 281,262,402</u>	<u>\$ 255,038,539</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  
YEARS ENDED DECEMBER 31, 2004 AND 2003, AND  
FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002**

	2004	2003	2002
<b>REVENUES COLLECTED:</b>			
Interest	\$ 3,881,831	\$ 5,020,805	\$ 6,685,607
Dividends	2,475,940	1,871,115	2,008,653
Distributions and other	<u>3,793,082</u>	<u>2,209,855</u>	<u>223,488</u>
Total revenues collected	<u>10,150,853</u>	<u>9,101,775</u>	<u>8,917,748</u>
<b>GRANTS AND EXPENSES PAID :</b>			
Grants paid (Note 2)	11,923,940	11,403,912	13,435,222
Supporting services:			
Audit fees	28,000	23,500	22,000
Communications	104,978	107,148	117,599
Corporate co-trustee fees	253,509	233,861	343,478
Depreciation expense	21,820	18,328	15,125
Federal and state tax expense	269,519	241,639	116,219
Fringe benefits and employee taxes	199,222	188,756	191,912
Individual co-trustees' fees	90,000	120,000	140,000
Legal fees	5,483	100,513	34,134
Loss on disposal of fixed assets	2,698		7,650
Money manager fees	587,890	389,346	564,353
Occupancy	134,480	123,727	139,410
Professional association fees	105,496	138,694	233,219
Professional meetings and development	40,229	38,737	26,806
Program consulting fees and travel	178,166	306,259	286,044
Program evaluation and support	138,204	89,560	70,285
Salaries	600,481	579,207	600,266
Technology and other office expenses	99,401	92,027	154,594
Trustee and staff travel expenses	87,505	90,263	99,676
Trustee search expenses	118,583		
Other miscellaneous expenses	1,310	2,212	1,352
	<u>3,066,974</u>	<u>2,883,777</u>	<u>3,164,122</u>
Total grants and expenses paid	<u>14,990,914</u>	<u>14,287,689</u>	<u>16,599,344</u>
Deficit of grants and expenses paid over revenues collected before net realized and unrealized gain (loss) on securities	(4,840,061)	(5,185,914)	(7,681,596)
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON SECURITIES</b>	<u>14,176,618</u>	<u>31,409,777</u>	<u>(28,056,892)</u>
Excess (deficit) of revenues collected and net realized and unrealized gain (loss) on securities over grants and expenses paid	9,336,557	26,223,863	(35,738,488)
FUND BALANCE—Beginning of year	<u>281,262,402</u>	<u>255,038,539</u>	<u>290,777,027</u>
FUND BALANCE—End of year	<u>\$ 290,598,959</u>	<u>\$ 281,262,402</u>	<u>\$ 255,038,539</u>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2004 AND 2003, AND  
FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002**

	2004	2003	2002
<b>OPERATING ACTIVITIES:</b>			
Excess (deficit) of revenues collected and net realized and unrealized gain (loss) on securities over grants and expenses paid	\$ 9,336,557	\$ 26,223,863	\$ (35,738,488)
Adjustments to reconcile excess (deficit) of revenues collected and net realized and unrealized gain (loss) on securities over grants and expenses to net cash used in operating activities:			
Decrease in deposits		8,000	
Unrealized loss (gain) on securities—net	3,752,984	(29,822,162)	22,024,735
Realized (gain) loss on securities—net	(17,929,602)	(1,587,615)	6,032,157
Depreciation expense	21,820	18,328	15,125
Loss on disposal of fixed assets	2,698		7,650
Net cash used in operating activities	<u>(4,815,543)</u>	<u>(5,159,586)</u>	<u>(7,658,821)</u>
<b>INVESTING ACTIVITIES:</b>			
Sales and maturities of investments	198,220,410	91,921,383	98,461,257
Purchases of investments	(200,794,866)	(99,022,771)	(113,181,776)
Acquisition of fixed assets	<u>(39,551)</u>	<u>(24,983)</u>	<u>(19,004)</u>
Net cash used in investing activities	<u>(2,614,007)</u>	<u>(7,126,371)</u>	<u>(14,739,523)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,429,550)</b>	<b>(12,285,957)</b>	<b>(22,398,344)</b>
<b>CASH AND CASH EQUIVALENTS—</b>			
Beginning of period	<u>19,326,199</u>	<u>31,612,156</u>	<u>54,010,500</u>
<b>CASH AND CASH EQUIVALENTS—</b>			
End of period	<u>\$ 11,896,649</u>	<u>\$ 19,326,199</u>	<u>\$ 31,612,156</u>

See accompanying notes to financial statements.

# JESSIE BALL DUPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003, AND FOURTEEN-MONTH PERIOD ENDED DECEMBER 31, 2002

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### 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 valued at market. Accordingly, revenue and the related assets are recognized when received rather than when earned, except for unrealized gains and losses on investments which are marked to market at each reporting date. 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.

**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.

**Investments**—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.

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.

**Fixed Assets**—Fixed assets are recorded at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the following estimated useful lives.

	Years
Computer software and equipment	5
Other equipment and furniture	7

**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 years ended December 31, 2004 and 2003, the Fund made estimated federal excise tax payments of \$215,000 and \$138,500, respectively. 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.

**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, 2004, the Fund received net loan repayments of \$29,000 and grant refunds of \$3,668, which related to grants paid prior to 2004. 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.

## 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 minimum of 5% of the Fund’s non-charitable assets. In 2004, the average market value for this purpose was \$279,137,497. The Fund had approved grants of \$5,579,043, \$4,151,430, and \$5,343,989 to be funded in subsequent years at December 31, 2004, 2003, and 2002, respectively. The Fund distributed approximately \$762,000, \$739,000, and \$194,000 more than the minimum requirements for the years ended December 31, 2004 and 2003, and for the fourteen-month period ended December 31, 2002, respectively.

Excess distributions are carried over to offset future years’ minimum distribution requirements. Excess distributions of approximately \$1,986,000 are available for carryover to offset the minimum distribution requirements through the year ending December 31, 2009 (\$291,000 expiring in 2005, \$194,000 expiring in 2006, \$0 expiring in 2007, \$739,000 expiring in 2008, and \$762,000 expiring in 2009).

**Operating Leases**—The Fund leases office space and office equipment under operating leases. Lease expense was approximately \$132,000, \$127,000, and \$144,000 for the years ended December 31, 2004 and 2003, and for the fourteen-month period ended December 31, 2002, respectively. Minimum commitments on operating leases at December 31, 2004 are as follows:

Year Ending December 31	Office Space	Office Equipment	Total
2005	\$ 139,800	\$ 4,900	\$ 144,700
2006	150,500	2,900	153,400
2007	155,000	500	155,500
2008	156,900	-	156,900
2009	64,500	-	64,500
	<u>\$ 666,700</u>	<u>\$ 8,300</u>	<u>\$ 675,000</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 years ended December 31, 2004 and 2003, and the fourteen-month period ended December 31, 2002 were \$72,900, \$68,531, and \$71,758, respectively.

#### 5. MERRILL LYNCH CONSULTING SERVICES

The Fund has employed Merrill Lynch Consulting Services (“MLCS”) to measure and evaluate the performance of the Fund’s investments. Fees charged by MLCS are offset by credits issued to the Fund by Merrill Lynch. The credits are determined as a portion of the commissions received on securities trades that are executed through Merrill Lynch. The credited consulting fees for the years ended December 31, 2004 and 2003, and the fourteen-month period ended December 31, 2002 were \$94,875, \$91,875, and \$50,250, respectively.

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