

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

*Financial Statements as of and for the  
Years Ended December 31, 2006, 2005, and  
2004, and Independent Auditors' Report*

# JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, and 2004:	
Statements of Assets and Fund Balance Arising From Cash Transactions	2
Statements of Revenues Collected, Grants and Expenses Paid, and Changes in Fund Balance	3
Statements of Cash Flows	4
Notes to Financial Statements	5-7

## 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, 2006, 2005, and 2004, and the related statements of revenues collected, grants and expenses paid, and changes in fund balance, and cash flows for the years then ended. 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 Fund as of December 31, 2006, 2005, and 2004, and its revenues collected, grants and expenses paid, and changes in fund balance and cash flows for the years then ended, on the basis of accounting described in Note 1.



April 5, 2007

# JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

## STATEMENTS OF ASSETS AND FUND BALANCE ARISING FROM CASH TRANSACTIONS AS OF DECEMBER 31, 2006, 2005, AND 2004

	2006	2005	2004
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS	\$ 12,590,004	\$ 14,337,810	\$ 11,896,649
DEPOSITS	-	4,000	-
INVESTMENTS—At fair value:			
U.S. Treasury Securities	1,030,195	2,023,437	1,102,891
U.S. government agency securities	23,607,289	19,504,741	11,521,378
Corporate bonds	60,875,829	68,023,022	79,717,376
Northern Trust Diversified Hedge Fund	8,925,635	8,145,240	7,818,654
Common and preferred stocks	197,649,226	178,071,544	173,403,833
Asset Backed Securities	3,337,977	-	-
Limited partnership interests	5,898,990	5,638,445	5,030,000
	<u>301,325,141</u>	<u>281,406,429</u>	<u>278,594,132</u>
FIXED ASSETS—At cost, less accumulated depreciation of \$102,981, \$87,672, and \$75,231, respectively	<u>114,119</u>	<u>129,023</u>	<u>108,178</u>
TOTAL	<u>\$314,029,264</u>	<u>\$295,877,262</u>	<u>\$290,598,959</u>
COMMITMENTS (Note 3)			
LEASE PAYMENT OBLIGATIONS	<u>12,593</u>	<u>-</u>	<u>-</u>
FUND BALANCE	314,016,671	295,877,262	290,598,959
TOTAL	<u>\$314,029,264</u>	<u>\$295,877,262</u>	<u>\$290,598,959</u>

See 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  
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, AND 2004**

	2006	2005	2004
REVENUES COLLECTED:			
Interest	\$ 5,296,900	\$ 4,189,836	\$ 3,881,831
Dividends	2,837,390	2,942,166	2,475,940
Distributions and other	<u>1,590,351</u>	<u>2,656,458</u>	<u>3,793,082</u>
Total revenues collected	<u>9,724,641</u>	<u>9,788,460</u>	<u>10,150,853</u>
GRANTS AND EXPENSES PAID :			
Grants paid (Note 3)	<u>12,164,616</u>	<u>12,735,085</u>	<u>11,923,940</u>
Supporting services qualifying:			
Audit fees	47,620	29,500	28,000
Communications	95,345	84,388	104,978
Corporate co-trustee fees (Note 6)	361,590	345,250	253,509
Custodial fee (Note 6)	147,861	141,018	48,029
Depreciation expense	27,933	28,667	21,820
Employment taxes	41,376	44,961	38,893
Employee fringe benefits	195,888	192,577	160,329
Individual co-trustees' fees (Note 6)	180,000	180,000	90,000
Legal fees	12,833	13,148	5,483
Occupancy	161,907	158,088	134,480
Professional association fees	143,010	141,027	105,496
Professional meetings and development	31,573	40,695	40,229
Fund directed research	20,975	77,738	43,840
Program consulting fees and travel	164,585	201,201	134,326
Program evaluation and support	67,159	40,626	138,204
Salaries	656,883	632,809	600,481
Technology and other office expenses	111,892	113,445	99,401
Trustee and staff travel expenses	148,902	124,258	87,505
Trustee search expenses	-	960	118,583
Other miscellaneous expenses	-	982	1,310
Loss on disposal of fixed assets	<u>8,064</u>	<u>-</u>	<u>2,698</u>
Total supporting service qualifying	2,625,396	2,591,338	2,257,594
Supporting services nonqualifying:			
Federal and state tax expense	217,346	264,108	269,519
Investment fees	<u>933,544</u>	<u>812,729</u>	<u>539,861</u>
Total supporting services	<u>3,776,286</u>	<u>3,668,175</u>	<u>3,066,974</u>
Total grants and expenses paid	<u>15,940,902</u>	<u>16,403,260</u>	<u>14,990,914</u>
Deficit of grants and expenses paid over revenues collected before net realized and unrealized gain on securities	(6,216,261)	(6,614,800)	(4,840,061)
NET REALIZED AND UNREALIZED GAIN ON SECURITIES			
	<u>24,355,670</u>	<u>11,893,103</u>	<u>14,176,618</u>
Excess of revenues collected and net realized and unrealized gain on securities over grants and expenses paid	18,139,409	5,278,303	9,336,557
FUND BALANCE—Beginning of year	<u>295,877,262</u>	<u>290,598,959</u>	<u>281,262,402</u>
FUND BALANCE—End of year	<u>\$ 314,016,671</u>	<u>\$ 295,877,262</u>	<u>\$ 290,598,959</u>

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, AND 2004**

	2006	2005	2004
<b>OPERATING ACTIVITIES:</b>			
Excess of revenues collected and net realized and unrealized gain on securities over grant and expenses paid	\$ 18,139,409	\$ 5,278,303	\$ 9,336,557
Adjustments to reconcile excess of revenues collected and net realized and unrealized (loss) securities over grants and expenses to net cash used in operating activities:			
(Increase) decrease in deposits	4,000	(4,000)	-
Unrealized (gain) loss on securities—net	(7,959,743)	742,037	3,752,984
Realized (gain) on securities—net	(16,395,927)	(12,635,140)	(17,929,602)
Litigation settlement	(974)	-	-
Depreciation expense	27,933	28,667	21,820
Increase in lease obligations	12,593	-	-
Loss on disposal of fixed assets	8,064	-	2,698
Net cash used in operating activities	<u>(6,164,645)</u>	<u>(6,590,133)</u>	<u>(4,815,543)</u>
<b>INVESTING ACTIVITIES:</b>			
Sales and maturities of investments	136,392,568	144,893,278	198,220,410
Purchases of investments	(131,954,636)	(135,812,472)	(200,794,866)
Acquisition of fixed assets	<u>(21,093)</u>	<u>(49,512)</u>	<u>(39,551)</u>
Net cash provided by (used in) investing activities	<u>4,416,839</u>	<u>9,031,294</u>	<u>(2,614,007)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,747,806)</b>	<b>2,441,161</b>	<b>(7,429,550)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b><u>14,337,810</u></b>	<b><u>11,896,649</u></b>	<b><u>19,326,199</u></b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 12,590,004</u></b>	<b><u>\$ 14,337,810</u></b>	<b><u>\$ 11,896,649</u></b>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Security deliveries	<u>\$ 974</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

# JESSIE BALL duPONT RELIGIOUS, CHARITABLE AND EDUCATIONAL FUND

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, AND 2004

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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 fair value. Realized and unrealized gains or losses are determined by comparison of cost to either proceeds received from the sales or fair values. The fair 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. The investment portfolio is diversified and there is no significant concentration of credit risk.

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 calculated 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, 2006, 2005, and 2004, the Fund made estimated federal excise tax payments of \$217,000, \$161,000, and \$215,000, respectively.

**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.

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

## 2. GRANT REFUNDS AND LOAN REPAYMENTS

Included in the grants paid are grant refunds and loan repayments. During the year ended December 31, 2006, the Fund received net loan repayments of \$41,932 and grant refunds of \$15,758, which related to grants paid prior to 2006. During the year ended December 31, 2005, the Fund received net loan repayments of \$19,000 and grant refunds of \$100,669, which related to grants paid prior to 2005. 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.

## 3. QUALIFYING DISTRIBUTIONS AND FUTURE YEAR GRANT 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 noncharitable assets. In 2006, the average fair value for this purpose was \$300,812,667. In 2006, the fund paid out qualifying distributions of \$14,735,349 (5.0%).

The Fund had approved grants of \$6,558,471, \$4,375,915 and \$5,579,043 to be funded in subsequent years at December 31, 2006, 2005, and 2004, respectively. The Fund distributed approximately \$0, \$1,191,000 and \$610,000 more than the minimum requirements for the years ended December 31, 2006, 2005, and 2004, respectively.

Excess distributions are carried over to offset future years’ minimum distribution requirements. Excess distributions of \$2,541,353 are available for carryover to offset the minimum distribution requirements through the year ending December 31, 2010 (\$0 expiring in 2007, \$739,000 expiring in 2008, \$610,000 expiring in 2009, \$1,191,000 expiring in 2010, and \$0 expiring in 2011).

**Operating Leases**—The Fund leases office space and office equipment under operating leases. Lease expense was approximately \$153,400, \$151,400, and \$132,000 for the years ended December 31, 2006, 2005, and 2004, respectively. Minimum commitments on operating leases at December 31, 2006, are as follows:

Years Ending December 31	Office Space	Office Equipment	Total
2007	\$ 155,000	\$ 500	\$ 155,500
2008	156,900	-	156,900
2009	<u>65,400</u>	<u>-</u>	<u>65,400</u>
	<u>\$ 377,300</u>	<u>\$ 500</u>	<u>\$ 377,800</u>

#### 4. RETIREMENT PLAN

The Fund sponsors a Simplified Employee Pension Plan in which 12% of the annual salary of each full-time employee is contributed by the Fund. Contributions for the years ended December 31, 2006, 2005, and 2004, were \$78,682, \$86,791, and \$72,900, 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, 2006, 2005, and 2004, were \$91,000, \$93,50, and \$94,875, respectively.

#### 6. TRUSTEE STRUCTURE AND FEES

The governing structure of the Jessie Ball duPont Religious, Charitable and Educational Fund, created by Mrs. duPont’s Will and a subsequent court order expanding the original number of trustees of four trustees to no more than seven and no fewer than five, includes five individual trustees, each elected by a majority vote of the trustees; a clerical trustee appointed by the Episcopal Bishop of Florida; and a corporate trustee that must be a national financial institution having trust powers elected by a majority vote of trustees. The individual and clerical trustees serve a term of five years, and may succeed themselves for two successive five-year terms; the corporate trustee must be re-elected annually by a majority vote of the trustees, while the individual representing the corporate trustee may serve a total of three, five-year terms. In accordance with Mrs. duPont’s Will, the trustees are trustees of Mrs. duPont’s estate, which includes the Fund and two additional trusts, and are compensated for their services at a reasonable rate (currently, \$30,000 annually, with each trustee committing an average of 40 days per year on Fund business). As corporate trustee, Northern Trust Bank fulfills custodial and certain administrative functions for the Fund, including preparation of the Fund’s 990 PF tax return, payroll, grant and administrative expense payments, and budget oversight and reconciliation. The corporate trustee fee is set annually by a majority vote of the individual and clerical trustees. The individual representing the corporate trustee is not compensated separately by the Fund.

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