



JESSIE BALL DUPONT FUND

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011





REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Jessie Ball duPont Fund
Jacksonville, Florida

We have audited the accompanying financial statements of Jessie Ball duPont Fund (“the Fund”), which comprise the statements of assets and fund balance arising from cash transactions – modified cash basis as of December 31, 2012 and 2011, and the related statements of revenues collected, grants and expenses paid and changes in fund balance – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and fund balance arising from cash transactions – modified cash basis of Jessie Ball duPont Fund as of December 31, 2012 and 2011, and its revenues collected, grants and expenses paid and changes in fund balance – modified cash basis during the years then ended in accordance with the modified cash basis of accounting described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Batts Morrison Wales & Lee, P.A.
BATTI MORRISON WALES & LEE, P.A.

Orlando, Florida
December 12, 2013

BATTI MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

JESSIE BALL DUPONT FUND
 STATEMENTS OF ASSETS AND FUND BALANCE
 ARISING FROM CASH TRANSACTIONS – MODIFIED CASH BASIS

ASSETS

	December 31.	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 8,704,872	\$ 20,378,588
Investments – at estimated fair value:		
Common and preferred stocks	47,031,994	94,587,835
Mutual funds	102,811,191	68,682,378
Nonpublicly traded investments	104,867,577	72,919,808
Total investments	254,710,762	236,190,021
Other assets	43,504	54,594
Total assets	\$ 263,459,138	\$ 256,623,203

FUND BALANCE

FUND BALANCE	\$ 263,459,138	\$ 256,623,203
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JESSIE BALL DUPONT FUND
 STATEMENTS OF REVENUES COLLECTED, GRANTS AND
 EXPENSES PAID AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS

	For The Years Ended	
	December 31,	
	<u>2012</u>	<u>2011</u>
REVENUES COLLECTED:		
Interest and dividends	\$ 6,770,974	\$ 6,636,630
Distributions and other	<u>33,679</u>	<u>107,558</u>
Total revenues collected	<u>6,804,653</u>	<u>6,744,188</u>
GRANTS AND EXPENSES PAID:		
Grants paid	<u>12,815,961</u>	<u>14,053,767</u>
Supporting services qualifying:		
Audit fees	47,250	47,129
Communications	92,755	58,565
Corporate co-trustee fees	330,161	343,906
Custodial fee	136,046	139,967
Depreciation expense	15,924	17,043
Employee fringe benefits	267,243	280,767
Employment taxes	62,839	72,848
Individual co-trustees' fees	150,000	166,250
Legal fees	12,005	27,803
Occupancy	130,540	137,758
Professional association fees	89,278	86,005
Professional meetings and development	42,000	117,883
Program consulting fees and travel	398,093	373,590
Salaries	1,049,006	1,195,217
Technology and other office expenses	128,664	119,872
Trustee and staff travel expenses	<u>308,332</u>	<u>265,843</u>
Total supporting services qualifying	3,260,136	3,450,446
Supporting services non-qualifying:		
Federal and state tax expense	592,010	180,000
Investment fees	<u>1,115,342</u>	<u>1,388,445</u>
Total supporting services	<u>4,967,488</u>	<u>5,018,891</u>
Total grants and expenses paid	<u>17,783,449</u>	<u>19,072,658</u>
Deficit of grants and expenses paid over revenues collected before net gain (loss) on securities	(10,978,796)	(12,328,470)
Net gain (loss) on securities	<u>17,814,731</u>	<u>(12,219,940)</u>
Excess (deficit) of revenues collected and net gain (loss) on securities over grants and expenses paid	6,835,935	(24,548,410)
FUND BALANCE – Beginning of year	<u>256,623,203</u>	<u>281,171,613</u>
FUND BALANCE – End of year	<u>\$ 263,459,138</u>	<u>\$ 256,623,203</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

JESSIE BALL DUPONT FUND
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION

The Jessie Ball duPont Fund (“the Fund”) was established by the Last Will and Testament of its founder and 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 Last Will and Testament.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting. That basis differs from generally accepted accounting principles in the following respects:

- Revenues are recognized when received rather than when earned.
- Expenses are recognized when paid rather than when the obligation is incurred.

Reporting of expenses

The Fund reports amounts paid (including administrative expenses) as “supporting services qualifying” in the accompanying financial statements if all or a substantial portion of the amounts may be included as qualifying distributions for purposes of meeting the Fund’s minimum distribution requirement described in Note D. Otherwise, amounts paid are included as “supporting services non-qualifying” in the accompanying financial statements.

Cash and cash equivalents

The Fund considers all investment instruments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments in securities that are traded on national or international securities exchanges are carried at estimated fair value, based upon quoted market prices provided by external investment managers and the Fund’s custodian and accepted by the Fund’s management.

Nonpublicly traded investments include limited partnerships, hedge funds and private equity funds and are carried at estimated fair value. Estimated fair values for nonpublicly traded investments are provided by the investee and accepted by the Fund’s management. Such investments are not readily marketable and are often highly illiquid. The estimated fair values of nonpublicly traded investments included in the accompanying financial statements are subject to a high degree of uncertainty and the actual fair values could differ materially from the estimated fair values. Management of the Fund believes that the Fund’s nonpublicly traded investments are carried at reasonable estimates of their fair value.

Federal excise tax

The Fund qualifies under Section 501(a) of the Internal Revenue Code (“the Code”) as an entity exempt from income taxes and as described in Section 501(c)(3) of the Code. The Fund is a private foundation described in Section 509(a) of the Code. In accordance with applicable provisions of the Code, the Fund is subject to an excise tax of one or two percent on investment income, net of certain related expenses, including realized gains from sales of investments. The Fund has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under the modified cash basis of accounting. Federal and state tax authorities may generally examine the Fund’s income tax positions or (if applicable) returns for periods of approximately three to six years.

JESSIE BALL DUPONT FUND
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of income and expenses during the reporting period. Actual amounts, values and results could differ materially from those estimates.

Reclassifications

Certain amounts included in the 2011 financial statements have been reclassified to conform to classifications adopted during 2012. The reclassifications had no material effect on the accompanying financial statements.

NOTE C – CONCENTRATION OF RISKS

The Fund's investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect investment account balances and the amounts reported in the accompanying financial statements.

NOTE D – QUALIFYING DISTRIBUTIONS AND FUTURE YEAR GRANT COMMITMENTS

The Fund is a private foundation and is required by Section 4942 of the Code to payout, as qualifying distributions, a minimum of 5% of the Fund's noncharitable assets. In 2012 and 2011, the average fair value for this purpose was \$268,832,313 and \$275,183,470, respectively. During 2012 and 2011, the Fund paid out qualifying distributions of \$15,884,142 and \$17,392,573, respectively (approximately 6%).

As of December 31, 2012, the Fund had approved grants totaling approximately \$4,056,000 to be paid in subsequent years through 2015.

Excess distributions of approximately \$12,900,000 are available for carry over to offset the future years' minimum distribution requirements required by federal tax law for private foundations.

NOTE E – TRUSTEE STRUCTURE AND FEES

The governing structure of the Jessie Ball duPont Fund, created by Mrs. duPont's Last Will and Testament and subsequent court order expanding the original number 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 selected 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 Last Will and Testament, 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.

JESSIE BALL DUPONT FUND
NOTES TO FINANCIAL STATEMENTS

NOTE E – TRUSTEE STRUCTURE AND FEES (Continued)

The corporate trustee fee is set annually by a majority vote of the individual and clerical trustees.

For the years ended December 31, 2012 and 2011, the corporate trustee was paid \$330,161 and \$343,906, respectively, for trustee services, \$266,823 and \$276,524, respectively, for investment management services and \$136,046 and \$139,967, respectively, for securities custodian services. The individual representing the corporate trustee is not compensated separately by the Fund.

NOTE F – FAIR VALUE MEASUREMENTS

The accompanying financial statements are prepared on the modified cash basis of accounting. Generally, footnote disclosures under a modified basis should be similar, when possible, to those required under accounting principles generally accepted in the United States (“GAAP”). Accordingly, the Fund has included the fair value measurement disclosures required by GAAP.

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

The estimated value of investments in common and preferred stocks and mutual funds, valued using “Level 1” inputs are based on unadjusted quoted market prices within active markets.

Nonpublicly traded investments valued using “Level 3” inputs consist of investments in pooled funds which invest in privately-held enterprises in the United States and abroad. Certain of these investments cannot be liquidated in the near-term. In addition, nonpublicly traded investments consist of investments in hedge funds that pursue various strategies to diversify risks and reduce volatility. There are no lock-up periods associated with the Fund’s hedge funds investments, and such investments can generally be liquidated at an amount approximating net asset value in the near-term with proper notice. The reported estimated fair values of nonpublicly traded investments are generally based on amounts provided by the investee.

The carrying value of cash and cash equivalents does not differ materially from reasonable estimates of fair value, as the terms of such instruments do not vary significantly from the assumptions that would be made in estimating fair value.

JESSIE BALL DUPONT FUND
NOTES TO FINANCIAL STATEMENTS

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

Estimated fair value of certain assets measured on a recurring basis at December 31, 2012 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 47,031,994	\$ 47,031,994	\$ —	\$ —
Mutual funds	102,811,191	102,811,191	—	—
Nonpublicly traded investments	<u>104,867,577</u>	<u>—</u>	<u>—</u>	<u>104,867,577</u>
Total	<u>\$ 254,710,762</u>	<u>\$ 149,843,185</u>	<u>\$ —</u>	<u>\$ 104,867,577</u>

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, January 1, 2012	\$ 72,919,808
Net purchases/(sales)	21,277,111
Net income/(loss)	2,564,572
Net gain/(loss)	<u>8,106,086</u>
Balance, December 31, 2012	<u>\$ 104,867,577</u>

Estimated fair value of certain assets measured on a recurring basis at December 31, 2011 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 94,587,835	\$ 94,587,835	\$ —	\$ —
Mutual funds	68,682,378	68,682,378	—	—
Nonpublicly traded investments	<u>72,919,808</u>	<u>—</u>	<u>—</u>	<u>72,919,808</u>
Total	<u>\$ 236,190,021</u>	<u>\$ 163,270,213</u>	<u>\$ —</u>	<u>\$ 72,919,808</u>

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, January 1, 2011	\$ 56,823,869
Net purchases/(sales)	19,853,121
Net income/(loss)	3,783,662
Net gain/(loss)	<u>(7,540,844)</u>
Balance, December 31, 2011	<u>\$ 72,919,808</u>

NOTE G – COMMITMENTS

As of December 31, 2012, the Fund had open private investment funding commitments related to certain nonpublicly traded investments of approximately \$3,566,000, which are expected to be funded as capital calls are made.

During 2011, the Fund entered into an agreement to fund a program-related investment loan to a certain entity. The loan is considered a non-revolving line of credit in an amount up to \$2,000,000, requires interest only payments at 2% per annum and matures in October 2018. No amounts were drawn on the loan as of December 31, 2012.

JESSIE BALL DUPONT FUND
NOTES TO FINANCIAL STATEMENTS

NOTE H – SUBSEQUENT EVENTS

During 2013, JBdF, LLC (“the LLC”) entered into an agreement to purchase a building located in downtown Jacksonville, Florida formerly known as the Haydon Burns Library for \$2,200,000. The Fund is the sole member of the LLC. The LLC intends to rehabilitate the building and utilize it as an office building available for rent by other nonprofit organizations. The Fund also intends to relocate its headquarters to the building in the future. While a specific dollar amount has not been determined, the Fund anticipates that rehabilitating the building will cost several million dollars.

In connection with the building acquisition described in the previous paragraph, the Fund entered into a non-revolving line of credit with a bank in an amount up to \$16,500,000 subsequent to year end. The line of credit bears interest at the one-month LIBOR plus 0.75% per annum. The line of credit requires monthly interest payments until February 2016, at which point monthly payments of principal and interest following a twenty-five year amortization schedule commence. The line of credit matures during October 2038. The loan documents also allow the bank to require full repayment of any amounts outstanding under the loan during October 2020, October 2027 or October 2034. The line of credit is secured by certain assets of the Fund and contains certain financial and other covenants.

During 2013, the Fund entered into an agreement to fund a program-related investment loan to a certain entity. The loan is considered a non-revolving line of credit in an amount up to \$1,500,000, requires interest only payments at 2% per annum and matures in July 2020.

The Fund has evaluated for possible financial reporting and disclosure subsequent events through December 12, 2013, the date as of which the financial statements were available to be issued.