

JOHN EDWARD FOWLER MEMORIAL FOUNDATION

FINANCIAL STATEMENTS

TAX BASIS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2000 AND 1999

Independent Auditors' Report

Board of Trustees
John Edward Fowler Memorial Foundation
Washington, D.C.

We have audited the accompanying statements of financial position - tax basis of the John Edward Fowler Memorial Foundation as of December 31, 2000 and 1999, and the related statements of activities and changes in net assets - tax basis for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 described in Note 2, the Foundation's policy is to prepare its financial statements on the accounting basis used for Federal tax purposes; consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the John Edward Fowler Memorial Foundation as of December 31, 2000 and 1999, and its changes in net assets during the years then ended, on the basis of accounting described in Note 2.

June 21, 2001

JOHN EDWARD FOWLER MEMORIAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

TAX BASIS

DECEMBER 31, 2000 AND 1999

ASSETS	<u>2000</u>	<u>1999</u>
CURRENT ASSETS:		
Cash, checking and on hand	\$ 45,050	\$ 83,432
Cash, savings and temporary investments	952,756	154,933
Excise tax refund receivable	39,225	3,807
Accrued interest purchased	<u>13,835</u>	<u>6,344</u>
Total Current Assets	<u>\$ 1,050,866</u>	<u>\$ 248,516</u>
INVESTMENTS:		
Real estate (at cost)	\$ 2,938,318	\$ 2,938,318
Marketable securities (at fair market value)	<u>14,509,871</u>	<u>16,667,097</u>
Total Investments	<u>\$ 17,448,189</u>	<u>\$ 19,605,415</u>
PROPERTY AND EQUIPMENT, AT COST:		
Office furniture	\$ 21,852	\$ 21,852
Leasehold improvements	<u>13,475</u>	<u>13,475</u>
Total	\$ 35,327	\$ 35,327
Less, accumulated depreciation and amortization	<u>(24,722)</u>	<u>(21,638)</u>
Total Property and Equipment, net	<u>\$ 10,605</u>	<u>\$ 13,689</u>
TOTAL ASSETS	<u>\$ 18,509,660</u>	<u>\$ 19,867,620</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Payroll withholdings	\$ ---	\$ 4,165
NET ASSETS, UNRESTRICTED	<u>18,509,660</u>	<u>19,863,455</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,509,660</u>	<u>\$ 19,867,620</u>

The accompanying notes are an integral part of these statements.

JOHN EDWARD FOWLER MEMORIAL FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
REVENUES:		
Investment Income (Loss):		
Interest and dividends	\$ 395,771	\$ 401,202
Gain on sale of investments	2,066,887	1,173,774
Net unrealized gain (loss) on investments	(3,284,279)	1,108,769
Less, investment advisor fees	<u>(123,747)</u>	<u>(108,918)</u>
Total Investment Income (Loss)	\$(945,368)	\$ 2,574,827
Rents	1,183,263	1,038,672
Loss on disposal of property and equipment	---	(3,785)
Other income	<u>---</u>	<u>8</u>
Total Revenues Collected	<u>\$ 237,895</u>	<u>\$ 3,609,722</u>
EXPENSES PAID:		
Program:		
Grants and contributions	<u>\$ 1,323,500</u>	<u>\$ 1,123,000</u>
General and Administrative:		
Wages and compensation	\$ 83,200	\$ 64,900
Trustees' fees	40,000	24,000
Professional fees	50,861	47,746
Miscellaneous taxes and licenses	10,611	9,912
Office supplies and expense	10,677	8,303
Depreciation and amortization	3,084	1,511
Federal excise taxes	34,582	48,926
Rent	<u>35,175</u>	<u>33,277</u>
Total General and Administrative	<u>\$ 268,190</u>	<u>\$ 238,575</u>
Total Expenses Paid	<u>\$ 1,591,690</u>	<u>\$ 1,361,575</u>
CHANGES IN NET ASSETS	\$(1,353,795)	\$ 2,248,147
NET ASSETS, BEGINNING OF YEAR,	<u>19,863,455</u>	<u>17,615,308</u>
NET ASSETS, END OF YEAR	<u>\$ 18,509,660</u>	<u>\$ 19,863,455</u>

The accompanying notes are an integral part of these statements.
JOHN EDWARD FOWLER MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

Note 1. Organization:

The John Edward Fowler Memorial Foundation was formed to undertake, promote, develop and carry on religious, charitable, scientific, literary, or educational work principally in the greater Washington, DC area through donations, gifts and contributions from its annual net income or assets.

Note 2. Significant Accounting Policies:

Basis of Accounting:

The Foundation prepares its financial statements on the accounting basis used for Federal tax purposes. Generally, revenues and related assets are recognized when received and expenses are recognized when paid. An exception to the general policy is the accrual of the under or over payment of the Federal excise tax and to recognize unrealized gains and losses on investments.

Real Estate:

Real estate is carried at the appraised value on the date received from the estate of Pearl Gunn Fowler plus the cost of land acquired subsequently.

Marketable Securities:

Marketable securities are carried at current market value.

Bond Discounts and Premiums:

Bond discounts and premiums (difference between cost and face value) are not amortized over the remaining life to maturity. The difference between cost and the redemption value will be recognized in the year the bond is redeemed or sold.

Property and Equipment:

Property and equipment are carried at cost and the related depreciation and amortization are provided for as follows:

<u>Asset</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Office furniture	Straight-line	5 years
Leasehold improvements	Straight-line	Life of lease

Use of Estimates:

The preparation of financial statements 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 revenue and expense during a reporting period. Actual results could differ from those estimates.

JOHN EDWARD FOWLER MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

Note 3. Real Estate:

The Foundation owns real estate in Arlington County, Virginia which is leased to an affiliate of Marriott Corporation under terms effective August 22, 1984. The lease provides for minimum rental payments in equal installments over the year and percentage rental payments quarterly. The current lease expires in the year 2009 and can be renewed for five consecutive ten year terms.

Note 4. Marketable Securities:

Marketable securities are composed of the following at December 31,:

	2000		1999	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
U.S. Government and Agency Bonds	\$ 1,389,657	\$ 1,463,946	\$ 1,128,149	\$ 1,112,641
Corporate Obligations	838,018	835,904	1,274,829	1,269,696
Corporate and Non-U.S. Common Stock	8,504,084	10,631,856	7,256,717	12,573,144
Mortgages	1,436,880	1,473,608	1,236,339	1,215,548
Convertible Preferred Stock	---	---	151,594	400,303
Short-Term Portfolios	<u>104,210</u>	<u>104,557</u>	<u>98,168</u>	<u>95,765</u>
	<u>\$ 12,272,849</u>	<u>\$ 14,509,871</u>	<u>\$ 11,145,796</u>	<u>\$ 16,667,097</u>

Market values are determined by quoted market prices.

Unrealized net gain (loss) from investments was \$(3,284,279) and \$1,108,769 for the years ended December 31, 2000 and 1999, respectively.

Note 5. Federal Excise Tax:

The Foundation is classified as a private foundation under Section 501(c)(3) of the Internal Revenue Code. It is taxed on its net investment income for each year at the rate of 1% to 2%. The Internal Revenue Code also requires the Foundation to distribute to qualified charities within twelve months of the end of the year a specified percentage based on the fair market value of the Foundation's assets adjusted for certain indebtedness and taxes. In accordance with the provisions, there is an excess distribution carryover to 2000 of \$170,994; no further distribution of 2000 income is required.

JOHN EDWARD FOWLER MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

DECEMBER 31, 2000 AND 1999

Note 6. Lease Commitments:

The Foundation entered into a lease to rent office space for the period July 1, 1995 to June 30, 1999. The lease was amended during 1999 extending the lease period from July 1, 1999 to June 30, 2003. The amended lease calls for a base monthly rent of \$2,780 with a cost of living increase of 2% yearly. The amended lease also has a provision, which can be executed by the landlord to terminate the lease with six months notice. This feature cannot be executed prior to January 1, 2002. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2001	\$ 35,054
2002	35,755
2003	<u>18,054</u>
	<u>\$ 88,863</u>