

» The F.B. Heron Foundation

BALANCE SHEETS

December 31, 2002 and 2001

ASSETS	2002	2001
Cash and cash equivalents	\$ 2,945,920	1,629,545
Traditional investments	190,793,982	233,349,867
Mission-related investments (see Note 1)	32,366,152	20,307,745
Other assets	301,690	156,616
Fixed assets, net	442,182	516,023
Total assets	<u>\$ 226,849,926</u>	<u>255,959,796</u>
LIABILITIES AND NET ASSETS	2002	2001
Liabilities:		
Accounts payable and accrued expenses	\$ 73,513	141,045
Grants payable (see Note 2)	2,580,000	4,560,000
Total liabilities	<u>2,653,513</u>	<u>4,701,045</u>
Net assets—unrestricted	<u>224,196,413</u>	<u>251,258,751</u>
Total liabilities and net assets	<u>\$ 226,849,926</u>	<u>255,959,796</u>

The financial information in this report has been summarized by the Foundation from its audited financial statements. A copy of the independent auditor's report, complete financial statements and notes are on file at the Foundation's office.

NOTE 1. MISSION-RELATED INVESTMENTS

Mission-related investments advance the mission of the Foundation using the core program strategies articulated in the Program Guidelines. These include both risk-adjusted, market-rate investments that advance the mission- and program-related investments (PRIs).

PRIs, defined in IRC §4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property. PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes. The Foundation's PRI loans bear interest at below-market rates, from 1% to 6%, generally payable on March 31 and September 30 of each year. One PRI is an equity interest in a limited partnership. The Foundation expects to hold all PRIs to maturity.

At December 31, 2002 the Foundation had outstanding PRIs totaling \$12,373,125. PRI principal repayments for 2003 through 2007 are \$934,000, \$1,499,500, \$2,904,500, \$2,254,500 and \$1,152,500, with repayments of \$3,628,125 thereafter.

At December 31, 2002, the Foundation had capital commitments of approximately \$3,340,000 to mission-related limited partnerships. At December 31, 2002 and 2001, mission-related investments consisted of the following:

	2002		2001	
	Fair or carrying value	Cost	Fair or carrying value	Cost
Invested cash and cash equivalents	\$ 318,003	318,003	152,646	152,646
Insured deposits in Community Development Credit Unions and Community Development Banks	3,700,000	3,700,000	3,100,000	3,100,000
Fixed-income securities	13,169,605	12,669,453	4,977,977	4,954,435
Limited partnership interests	2,805,419	2,805,419	1,639,622	1,639,622
Program-related investments	12,373,125	12,373,125	10,437,500	10,437,500
	<u>\$ 32,366,152</u>	<u>31,866,000</u>	<u>20,307,745</u>	<u>20,284,203</u>

NOTE 2. GRANTS PAYABLE

The following summarizes changes in grants payable as of December 31, 2002 and 2001.

	2002	2001
Balance at beginning of year	\$ 4,560,000	3,980,000
Additions:		
Grants authorized	7,662,575	12,614,860
Deductions:		
Grants paid	9,642,575	12,034,860
Balance at end of year	<u>\$ 2,580,000</u>	<u>4,560,000</u>

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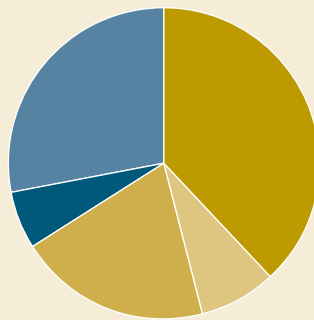
STATEMENTS OF ACTIVITIES

Years ended December 31, 2002 and 2001

NET INVESTMENT INCOME	2002	2001
Interest and dividends	\$ 8,160,881	10,013,710
Less investment expenses	(816,995)	(576,862)
Less current Federal excise tax	(77,000)	(96,000)
Net investment income	<u>\$ 7,266,886</u>	<u>9,340,848</u>
EXPENSES	2002	2001
Program services:		
Grants (Note 2)	\$ 7,662,575	12,614,860
Program expenses	1,923,596	1,684,369
Total program services	9,586,171	14,299,229
Supporting services—administrative expenses	304,556	283,220
Total expenses	9,890,727	14,582,449
Net depreciation in fair value of investments, net of deferred Federal excise tax benefit	(24,438,497)	(21,998,246)
Decrease in net assets	(27,062,338)	(27,239,847)
Net assets at beginning of year	251,258,751	278,498,598
Net assets at end of year	<u>\$ 224,196,413</u>	<u>251,258,751</u>

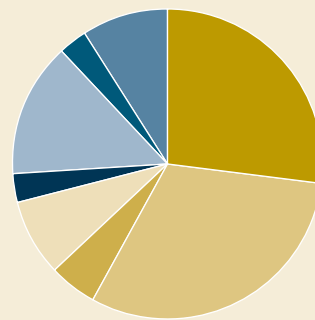
2002 CHARITABLE DISTRIBUTIONS, GRANTS & PRIS

PROGRAM AREA



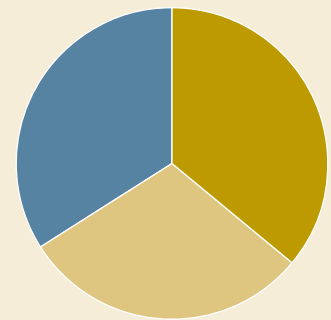
- Access to Capital: 38%
- Enterprise Development: 8%
- Home Ownership: 20%
- Child Care: 6%
- Comprehensive Community Development: 28%

GEOGRAPHIC REGION



- National: 27%
- Northeast: 31%
- Appalachia: 5%
- Southeast: 8%
- Mississippi Delta: 3%
- Midwest: 14%
- Southwest: 3%
- West: 9%

POPULATION SERVED



- Urban: 36%
- Rural: 30%
- Both: 34%