

■ NINA MASON PULLIAM CHARITABLE TRUST

INDEPENDENT AUDITOR'S REPORT

Trustees

Nina Mason Pulliam Charitable Trust
Indianapolis, Indiana

We have audited the accompanying statement of financial position of the Nina Mason Pulliam Charitable Trust as of December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nina Mason Pulliam Charitable Trust as of December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years ended December 31, 1999 and 1998, in conformity with generally accepted accounting principles.

Olive LLP

Indianapolis, Indiana

February 1, 2000

NINA MASON PULLIAM CHARITABLE TRUST

STATEMENT OF FINANCIAL POSITION

December 31	1999	1998
Assets		
Cash and cash equivalents	\$ 9,765,219	\$ 103,176,532
Accrued dividends and interest	1,929,101	361,534
Receivable from the Nina Mason Pulliam Estate		7,535,000
Investments□	399,163,868	277,656,664
Equipment—net□	177,710	39,076
Other□□	140,547	336,645
Total assets□□	<u>\$ 411,176,445</u>	<u>\$ 389,105,451</u>
Liabilities		
Accounts payable and accrued expenses□	\$ 558,029	\$ 114,973
Deferred federal excise tax□ □	346,316	328,896
Grant commitments□	1,622,167	
Total liabilities□ □	<u>2,526,512</u>	<u>443,869</u>
Net Assets		
Unrestricted□ □	408,649,933	381,126,582
Temporarily restricted□ □		7,535,000
Total net assets□ □	<u>408,649,933</u>	<u>388,661,582</u>
Total liabilities and net assets□ □	<u>\$ 411,176,445</u>	<u>\$ 389,105,451</u>

See notes to financial statements.

NINA MASON PULLIAM CHARITABLE TRUST

STATEMENT OF ACTIVITIES

Year Ended December 31	1999	1998
Changes in Unrestricted Net Assets		
Contributions and Revenue		
Contribution of income from the Nina Mason Pulliam Estate	\$ 109,401	\$ 655,016
Net unrealized gain (loss) on investments	22,881,837	(19,124,945)
Net realized gain on investments	1,345,360	5,378,483
Interest and dividends	12,547,596	8,398,792
Total contributions and revenue	36,884,194	(4,692,654)
Net assets released from restrictions		
Expiration of time restriction	7,535,000	3,465,000
Total	44,419,194	(1,227,654)
Expenses		
Employees' salaries and benefits	949,539	395,735
Trustees' fees	117,500	84,666
Professional fees	105,615	93,400
Occupancy expense	195,968	44,050
Depreciation expense	44,081	4,016
Consulting expenses	228,341	197,266
Investment management fees	1,126,652	132,154
Federal excise tax	357,630	(54,737)
Other expenses	497,396	109,182
Total expenses	3,622,722	1,005,732
Excess of Revenues Over Expenses		
(Expenses Over Revenues) Before Grants	40,796,472	(2,233,386)
Grants Approved	13,273,121	5,388,032
Increase (Decrease) in Unrestricted Net Assets	27,523,351	(7,621,418)
Changes in Temporarily Restricted Net Assets		
Net assets released from restrictions	(7,535,000)	(3,465,000)
Change in Net Assets	19,988,351	(11,086,418)
Net Assets, Beginning of Year	388,661,582	399,748,000
Net Assets, End of Year	\$ 408,649,933	\$ 388,661,582

See notes to financial statements.

NINA MASON PULLIAM CHARITABLE TRUST

STATEMENT OF CASH FLOW

Year Ended December 31	1999	1998
Operating Activities		
Change in net assets	\$ 19,988,351	\$ (11,086,418)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Capital gain on sale of investments	(1,345,360)	(5,378,483)
Unrealized (gain) loss on investments	(22,881,837)	19,124,945
Deferred excise tax	17,420	(837,275)
Depreciation	44,081	4,016
Changes in		
Estate receivable	7,535,000	3,465,000
Interest and dividends receivable	(1,567,567)	(421,468)
Other assets	(44,112)	(65,060)
Federal excise tax payable	240,210	(294,462)
Accounts payable and accrued expenses	443,056	114,973
Grant commitments	1,622,167	
Net cash provided by operating activities	<u>4,051,409</u>	<u>4,625,768</u>
Investing Activities		
Purchase of equipment	(182,715)	(43,093)
Purchase of investments	(648,348,766)	(419,672,704)
Proceeds from sale and maturities of investments	473,598,330	267,764,259
Proceeds from sale of Central Newspapers, Inc. stock	77,470,429	250,500,000
Net cash provided (used) by investing activities	<u>(97,462,722)</u>	<u>98,548,462</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(93,411,313)	103,174,230
Cash and Cash Equivalents, Beginning of Year	<u>103,176,532</u>	<u>2,302</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,765,219</u>	<u>\$ 103,176,532</u>
Supplemental Cash Flow Information		
Excise tax paid	\$ 100,000	\$ 1,077,000

See notes to financial statements.

NINA MASON PULLIAM CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization

The Nina Mason Pulliam Charitable Trust (Trust) is a continuing trust established under the provisions of Article 5 of the Nina Mason Pulliam Revocable Trust Agreement. The term of the Trust shall be for fifty years after the date of death of Nina Mason Pulliam, which was March 26, 1997. During the Trust's term, the Trustees are directed to distribute all of the net income (plus an additional amount to comply with Federal tax laws) from the Trust property to qualified organizations preferably in the Indianapolis, Indiana, and Phoenix, Arizona, areas. Upon the expiration of the Trust term, the principal and remaining income shall be distributed to qualified organizations.

Note 2 – Summary of Significant Accounting Policies

The Trust maintains its records on the accrual basis of accounting. Some of the more significant accounting policies used by the Trust are as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts and money market funds. At December 31, 1999, the Trust's cash accounts exceeded federally insured limits by approximately \$9,700,000. For purposes of the statement of cash flows, the Trust considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. The investment in Central Newspapers, Inc. common stock is carried at quoted market values reduced by 5% of its value at December 31, 1998, due to the large block of shares owned by the Trust at that date. These shares are not registered for sale under the Securities Act of 1933.

Revenue and Expense Recognition

Revenues and expenses are reported on the accrual method.

Federal Excise Tax

The Trust is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (Code) and a private foundation under Section 509 of the Code. As a result, the Trust has not provided for state or federal income taxes. The Trust is subject to a federal excise tax of 1% or 2% on net investment income, as defined by the Code, and has recorded excise tax liabilities in the financial statements. Deferred federal excise taxes result from the tax effects associated with unrealized appreciation on the Trust's investments.

Equipment

Equipment is carried at cost. Depreciation is computed using the straight-line method based upon the estimated useful lives that range from three to five years.

NINA MASON PULLIAM CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

Net Asset Classifications

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained by the Trust:

Unrestricted Net Assets

The unrestricted net asset class includes general assets and liabilities of the Trust. The unrestricted net assets of the Trust may be used at the discretion of the Trustees to support the Trust's purposes and operations.

Temporarily Restricted Net Assets

The temporarily restricted net asset class includes assets of the Trust related to unconditional promises to give that are due in future periods.

Reclassifications

Certain information for 1998 has been reclassified to conform with the current year presentation.

Note 3 – Federal Excise Taxes

Federal excise taxes provided at 1% in the statement of activities and changes in net assets for the periods ended December 31, 1999 and 1998, included the following components:

Year Ended December 31	1999	1998
Current	\$ 340,210	\$ 782,538
Deferred	17,420	(837,275)
Federal excise tax expense (benefit)	\$ 357,630	\$ (54,737)

The refundable excise taxes at December 31, 1999 and 1998, of \$31,375 and \$271,585, respectively, are included as a component of other assets.

NINA MASON PULLIAM CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

Note 4 – Investments

As of December 31, 1999 and 1998, the investments of the Trust included:

	1999		1998	
	Market Value	Amortized Cost	Market Value	Amortized Cost
U. S. Government				
Treasury securities	\$ 33,034,852	\$ 34,283,385	\$ 179,465,284	\$ 179,465,284
Corporate bonds	51,667,415	52,822,463		
Equity securities	151,647,928	130,211,594		
Central Newspapers, Inc.				
Class A and B common stock	8,662,539	6,741,312	98,191,380	88,669,298
Mutual funds	136,533,816	125,056,817		
Other (primarily agency securities)	17,617,318	17,644,378		
	<u>\$ 399,163,868</u>	<u>\$ 366,759,949</u>	<u>\$ 277,656,664</u>	<u>\$ 268,134,582</u>

Note 5 – Residual of the Nina Mason Pulliam Estate

At December 31, 1998, the receivable from the Nina Mason Pulliam Estate was \$7,535,000, which was received during 1999 and released from restrictions.

Note 6 – Operating Lease

The Trust entered into a noncancellable 10-year lease for office space in 1999, which has provisions for inflationary rent increases and requires the Trust to pay for its share of building operating costs above the base year amount. The Trust has the option to extend this lease for an additional five years after the expiration of the initial term, which ends April 30, 2009. Rent expense totaled \$182,000 for the year ended December 31, 1999.

Future minimum rents to be paid under this lease, excluding future escalation for rents, realizable taxes and building operating expenses, are as follows:

Years Ending December 31

2000	\$ 140,429
2001	147,820
2002	147,820
2003	147,820
2004	158,193
Thereafter	707,980
Total	<u>\$ 1,450,062</u>

■ NINA MASON PULLIAM CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

Note 7 – Employee Benefit Plans

Beginning in 1998, the Trust has a wage deferral plan qualified under Section 401(k) of the Internal Revenue Code that covers all participating employees. The Trust contributes matching funds on a dollar-for-dollar basis up to the first 4% of the employee's discretionary contribution. Trust contributions made to the plan were \$25,898 in 1999 and \$8,033 in 1998.

Also beginning in 1998, the Trust has a money purchase defined contribution plan, which is available to all employees. Contributions are made to the plan based upon 7% of the employees wages. Trust contributions made to the plan were \$46,954 in 1999 and \$19,279 in 1998.

Note 8 – Program Expenses

Total expenses for the years ending December 31, 1999 and 1998, were \$16,895,843 and \$6,393,764. Expenses related to the Trust's philanthropy program for the years ending December 31, 1999 and 1998, were \$13,626,922 and \$5,567,631 and expenses for management and general and investment expenses were \$3,268,921 and \$826,133.

Note 9 – Grant Commitments

At December 31, 1999, grant commitments are expected to be paid to qualifying organizations as follows:

Years Ending December 31

2000	□	□	□	□	\$ 1,373,833
2001	□	□	□	□	248,334
Total					<u>\$ 1,622,167</u>

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