



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, 2000 and 1999, 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, 2000 and 1999, and the changes in its net assets and its cash flows for the years ended December 31, 2000 and 1999, in conformity with generally accepted accounting principles.

OLIVE LLP

Indianapolis, Indiana
January 30, 2001

Statement of Financial Position



December 31	2000	1999
Assets		
Cash and cash equivalents	\$ 4,893,206	\$ 9,765,219
Accrued dividends and interest	1,475,343	1,929,101
Investments	391,059,505	399,163,868
Equipment and leasehold improvements-net	285,223	177,710
Other	325,590	140,547
Total assets	\$398,038,867	\$411,176,445
Liabilities		
Accounts payable and accrued expenses	\$ 545,227	\$ 558,029
Deferred federal excise tax	19,089	346,316
Grant commitments	4,497,539	1,622,167
Total liabilities	5,061,855	2,526,512
Net Assets-unrestricted	392,977,012	408,649,933
Total liabilities and net assets	\$398,038,867	\$411,176,445

See notes to financial statements.

Statement of Activities

Year Ended December 31	2000	1999
Changes in Unrestricted Net Assets		
Contributions and Revenue		
Net realized gain on investments	\$ 27,502,262	\$ 1,345,360
Net unrealized gain (loss) on investments	(30,494,996)	22,881,837
Interest and dividends	11,352,713	12,547,596
Contribution of income from the Nina Mason Pulliam Estate		109,401
Total contributions and revenue	8,359,979	36,884,194
Net assets released from restrictions		7,535,000
Expiration of time restriction		7,535,000
Total	8,359,979	44,419,194
Expenses		
Employee's salaries and benefits	1,593,418	949,539
Trustees fees	114,500	117,500
Professional fees	31,616	105,615
Occupancy expense	209,679	195,968
Depreciation expense	67,896	44,081
Consulting expenses	96,803	228,341
Investment management fees	1,797,048	1,126,652
Federal excise tax	61,062	357,630
Other expenses	454,574	497,396
Total expenses	4,426,596	3,622,722
Excess of Revenues Over Expenses Before Grants	3,933,383	40,796,472
Grants Approved	19,606,304	13,273,121
Increase (Decrease) in Unrestricted Net Assets	(15,672,921)	27,523,351
Changes in Temporarily Restricted Net Assets		
Net assets released from restrictions		(7,535,000)
Change in Net Assets	(15,672,921)	19,988,351
Net Assets, Beginning of Year	408,649,933	388,661,582
Net Assets, End of Year	\$392,977,012	\$408,649,933

See notes to financial statements.

Statement of Cash Flows

Year Ended December 31	2000	1999
Operating Activities		
Change in net assets	\$(15,672,921)	\$ 19,988,351
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Capital gain on sale of investments	(27,502,262)	(1,345,360)
Unrealized (gain) loss on investments	30,494,996	(22,881,837)
Deferred excise tax	(327,227)	17,420
Depreciation	67,896	44,081
Changes in		
Estate receivable		7,535,000
Interest and dividends receivable	453,758	(1,567,567)
Other assets	(177,652)	(44,112)
Federal excise tax payable	(7,391)	240,210
Accounts payable and accrued expenses	(12,802)	443,056
Grant commitments	2,875,372	1,622,167
Net cash provided (used) by operating activities	(9,808,233)	4,051,409
Investing Activities		
Purchase of equipment	(175,409)	(182,715)
Purchase of investments	(1,000,753,229)	(648,348,766)
Proceeds from sale and maturities of investments	991,784,794	473,598,330
Proceeds from sale of Central Newspapers, Inc. stock	14,080,064	77,470,429
Net cash provided (used) by investing activities	4,936,220	(97,462,722)
Net Decrease in Cash and Cash Equivalents	(4,872,013)	(93,411,313)
Cash and Cash Equivalents, Beginning of Year	9,765,219	103,176,532
Cash and Cash Equivalents, End of Year	\$ 4,893,206	\$ 9,765,219
Supplemental Cash Flow Information		
Excise tax paid	\$395,000	\$100,000

See 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 50 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 annually the higher of all of the Trust’s net income or the distributable amount necessary 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, 2000, the Trust’s cash accounts exceeded federally insured limits by approximately \$4,800,000. 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.

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 and Leasehold Improvements

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

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.

All net assets of the Trust are unrestricted and may be used at the discretion of the trustees to support the Trust’s purposes and operations.

Reclassifications

Certain information for 1999 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 for the periods ended December 31, 2000 and 1999, included the following components:

Year Ending December 31	2000	1999
Current expense	\$388,289	\$340,210
Deferred expense (benefit)	(327,227)	17,420
Federal excise tax expense	\$ 61,062	\$357,630

Refundable excise taxes at December 31, 2000 and 1999, of \$38,766 and \$31,375, respectively, are included in other assets.

Note 4 — Investments

As of December 31, 2000 and 1999, the investments of the Trust included:

	2000		1999	
	Market Value	Amortized Cost	Market Value	Amortized Cost
U. S. Government				
Treasury securities	\$ 36,416,783	\$ 36,000,129	\$ 33,034,852	\$ 34,283,385
Corporate bonds	60,616,170	60,806,878	51,667,415	52,822,463
Equity securities	149,448,742	146,364,050	160,310,467	136,952,906
Mutual funds	138,522,660	139,969,629	136,533,816	125,056,817
Other	6,055,150	6,009,896	17,617,318	17,644,378
	<u>\$391,059,505</u>	<u>\$389,150,582</u>	<u>\$399,163,868</u>	<u>\$366,759,949</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 and was received during 1999 and released from restrictions.

Note 6 — Operating Lease

The Trust has entered into noncancellable ten-year office space leases in Indianapolis, Indiana, and Phoenix, Arizona. Both leases include provisions for inflationary rent increases and require the Trust to pay for its share of building operating costs above the base year amount. The Trust has the option to extend each lease for an additional five years beyond the expiration of the initial term. Rent expense for space in Indianapolis and Phoenix totaled \$208,000 and \$182,000 for the years ended December 31, 2000 and 1999.

Future minimum rents to be paid under these leases, excluding future escalation for rents, realizable taxes and building operating expenses, are:

Years Ending December 31

2001	\$ 287,837
2002	293,364
2003	297,978
2004	311,107
2005	312,949
Thereafter	1,358,081
Total	<u><u>\$2,861,316</u></u>

Note 7 — Employee Benefit Plans

The Trust maintains 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 \$45,635 in 2000 and \$25,898 in 1999.

The Trust also 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 \$85,330 in 2000 and \$46,954 in 1999.

Note 8 — Program Expenses

Total expenses for the years ending December 31, 2000 and 1999, were \$24,032,900 and \$16,895,843. Expenses related to the Trust's philanthropy program for the years ending December 31, 2000 and 1999, were \$20,467,921 and \$13,626,922 and expenses for management and general and investment expenses were \$3,564,979 and \$3,268,921.

Note 9 — Grant Commitments

At December 31, 2000, grant commitments are expected to be paid to qualifying organizations as follows:

Year Ending December 31

2001	\$4,097,539
2002	400,000
Total	<u><u>\$4,497,539</u></u>