INDEPENDENT ACCOUNTANTS' REPORT

Trustees
Nina Mason Pulliam Charitable Trust
Indianapolis, Indiana

We have audited the accompanying statements of financial position of the Nina Mason Pulliam Charitable Trust as of December 31, 2001 and 2000, 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 auditing standards generally accepted in the United States of America. 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, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

BKD LLP
Indianapolis, Indiana
January 30, 2002

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2001 and 2000

	2001	**2000**
Assets		
Cash and cash equivalents	$6,983,015	$4,893,206
Accrued dividends and interest	1,661,790	1,475,343
Investments	357,961,150	391,059,505
Equipment and leasehold improvements – net	495,596	285,223
Other	452,938	325,590
Total assets	$367,554,489	$398,038,867
Liabilities		
Accounts payable and accrued expenses	$420,598	$545,227
Deferred federal excise tax		19,089
Grant and scholarship commitments	4,912,972	4,497,539
Total liabilities	5,333,570	5,061,855
Net Assets – unrestricted	362,220,919	392,977,012
Total liabilities and net assets	$367,554,489	$398,038,867

See notes to financial statements.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED

December 31, 2001 and 2000

	2001	2000
Changes in Unrestricted Net Assets		
Revenues		
Interest and dividends	$ 9,657,892	$11,352,713
Net realized gain (loss) on investments	(2,011,532)	27,502,262
Net unrealized loss on investments	(16,032,633)	(30,494,996)
Total revenue	(8,386,273)	8,359,979
Expenses		
Employees' salaries and benefits	1,767,351	1,593,418
Trustees' fees	108,500	114,500
Legal and audit expense	31,615	31,616
Occupancy expense	285,918	209,679
Depreciation expense	116,177	67,896
Consulting expenses	159,106	96,803
Investment management fees	1,653,306	1,797,048
Federal excise tax	(101,321)	61,062
Other expenses	561,732	454,574
Total expenses	4,582,384	4,426,596
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Grants	(12,968,657)	3,933,383
Grants and Scholarships Approved	17,787,436	19,606,304
Change in Net Assets	(30,756,093)	(15,672,921)
Net assets, Beginning of Year	392,977,012	408,649,933
Net assets, End of Year	$362,220,919	$392,977,012

See notes to financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

December 31, 2001 and 2000

	2001	2000
Operating Activities		
Change in net assets	$ (30,756,093)	$ (15,672,921)
Items not requiring (providing) cash		
Realized (gain) loss on sale of investments	2,011,532	(27,502,262)
Unrealized loss on investments	16,032,633	30,494,996
Deferred excise tax	(160,326)	(327,227)
Depreciation	116,177	67,896
Changes in		
Accrued dividends and interest	(186,447)	453,758
Other assets	(5,117)	(177,652)
Federal excise tax payable	19,006	(7,391)
Accounts payable and accrued expenses	(124,629)	(12,802)
Grant and scholarship commitments	415,433	2,875,372
Net cash used in operating activities	(12,637,831)	(9,808,233)
Investing Activities		
Purchase of equipment	(326,550)	(175,409)
Purchase of investments	(792,049,439)	(1,000,753,229)
Proceeds from sale and maturities of investments	807,103,629	991,784,794
Proceeds from sale of Central Newspapers, Inc. stock		14,080,064
Net cash provided by investing activities	14,727,640	4,936,220
Net Increase (Decrease) in Cash and Cash Equivalents	2,089,809	(4,872,013)
Cash and Cash Equivalents, Beginning of Year	4,893,206	9,765,219
Cash and Cash Equivalents, End of Year	$ 6,983,015	$ 4,893,206
Supplemental Cash Flow Information		
Excise tax paid	$ 40,000	$ 395,000

See notes to financial statements.

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. Upon the expiration of the Trust term, the principal and remaining income shall be distributed to qualified organizations.

The Trust seeks to help people in need, especially women, children and families; to protect animals and nature; and to enrich community life through grantmaking in the metropolitan areas of Indianapolis, Indiana, and Phoenix, Arizona. In 2001 the Trust implemented the Nina Mason Pulliam Legacy Scholars program, which seeks individuals 25 years and older who have dependents and share the goal of acquiring a college degree to enhance future opportunities for their families. Others assisted through this program include financially independent young adults seeking to enter college for the first time who have grown up in the child welfare system and college-age youth and adults with physical disabilities.

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 accounting principles generally accepted in the United States of America 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, 2001, the Trust's cash accounts exceeded federally insured limits by approximately $7,004,000. 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.

NOTES TO FINANCIAL STATEMENTS

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 (benefits) result from the tax effects associated with unrealized appreciation (depreciation) on the Trust's investments.

Equipment and Leasehold Improvements
Equipment, leasehold improvements and automobiles 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.

NOTE 3 — Federal Excise Taxes

Federal excise taxes are provided at 1% in the statement of activities for the periods ended December 31, 2001 and 2000, included the following components:

Year Ending December 31	2001	2000
Current expense	$ 59,005	$ 388,289
Deferred expense (benefit)	(160,326)	(327,227)
Federal excise tax expense (benefit)	$ (101,321)	$ 61,062

Refundable and deferred excise tax benefits at December 31, 2001 and 2000, of $160,997 and $38,766, respectively, are included in other assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 — Investments

As of December 31, 2001 and 2000, the investments of the Trust included:

	2001		2000	
	Market Value	Amortized Cost	Market Value	Amortized Cost
U. S. Government Treasury securities	$ 65,295,080	$ 65,247,238	$ 36,416,783	$ 36,000,129
Corporate bonds	43,121,900	43,019,545	60,616,170	60,806,878
Equity securities	135,215,974	132,554,246	149,448,742	146,364,050
Mutual funds	106,569,161	123,311,791	138,522,660	139,969,629
Other	7,759,035	7,952,038	6,055,150	6,009,896
	$357,961,150	$372,084,858	$391,059,505	$389,150,582

NOTE 5 — Derivative Financial Instruments

The Trust employs five investment managers to manage its portfolio. These managers are required to follow the Trust's investment policy with regards to investment risk and yield. In connection with manager contracts, the Trust can invest in U.S. Treasury futures contracts, fixed income options and money market futures primarily to enhance the overall yield of investments and to place its investment portfolio at a certain position on the yield curve. Credit loss exposure exists in the event of nonperformance by the other parties, principally large brokerage firms, to such instruments.

For derivative instruments, net realized gains of $1,485,361 for 2001 are included in investment income, of which a gain of $209,653 related to U.S. Treasury futures, a gain of $626,117 related to fixed income options, and a gain of $649,591 related to money market futures.

NOTE 6 — Operating Leases

The Trust has entered into noncancelable 10-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 $271,451 and $208,000 for the years ended December 31, 2001 and 2000.

NOTES TO FINANCIAL STATEMENTS

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

2002	$ 293,364
2003	297,970
2004	311,107
2005	312,949
2006	318,476
Thereafter	1,039,613
Total	$ 2,573,479

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 $57,021 in 2001 and $45,635 in 2000.

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 $92,392 in 2001 and $85,330 in 2000.

In December 2001, the money purchase plan was amended to eliminate employer contributions effective January 1, 2002. All employee money purchase plan assets will then be transferred to the 401(k) plan in February 2002 and the money purchase plan will be terminated. The Trust plans to continue making discretionary, non-contributory contributions to each employee's 401(k) plan account based upon 7% of that employee's wages.

NOTE 8 — Program Expenses

Total expenses for the years ending December 31, 2001 and 2000, were $22,369,820 and $24,032,900. Expenses related to the Trust's philanthropy program for the years ending December 31, 2001 and 2000, were $18,841,234 and $20,467,921, and expenses for management and general and investment expenses were $3,528,586 and $3,564,979.

NOTE 9 — Grant and Scholarship Commitments

At December 31, 2001, grant and scholarship commitments are expected to be paid to qualifying organizations as follows:

2002	$ 3,025,563
2003	1,179,807
2004	431,838
2005	143,500
2006	132,264
Total	$ 4,912,972

For the year ended December 31, 2001, the total amount of grant commitments for the current and future years was $18,077,949. The discounted value of these grants at 8.5% was $17,787,436.