"This money will help enable Child Advocates to continue to represent abused and neglected children who have endured the very worst of physical and sexual abuse and who, through no fault of their own, find themselves trapped in the confusing and often frightening world of juvenile justice."

Cindy Booth, Executive Director
Child Advocates • 2000
Indianapolis, IN

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, 2002 and 2001, 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, 2002 and 2001, 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
February 4, 2003

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2002 and 2001

Assets	**2002**	**2001**
Cash and cash equivalents	$6,036,114	$6,983,015
Accrued dividends and interest	871,795	1,661,790
Investments	287,682,941	357,961,150
Equipment and leasehold improvements - net	384,291	495,596
Other	1,007,321	452,938
Total assets	$295,982,462	$367,554,489
Liabilities		
Accounts payable and accrued expenses	$281,164	$420,598
Grant and scholarship commitments	4,367,359	4,912,972
Total liabilities	4,648,523	5,333,570
Net Assets - unrestricted	291,333,939	362,220,919
Total liabilities and net assets	$295,982,462	$367,554,489

See notes to financial statements.

"As our society faces ever greater challenges, challenges that will require contributions from people with a variety of backgrounds and talents, it is critical that we recognize the potential that lies within all individuals and provide them with opportunities to succeed. The support of the Trust will assist Disability Resources for Students in continuing its long history of encouraging and supporting these students."

Michael M. Crow, President
Arizona State University
Arizona State University Foundation • 2002
Tempe, AZ

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED

December 31, 2002 and 2001

Changes in Unrestricted Net Assets	**2002**	**2001**
Revenue		
Interest and dividends	$8,068,119	$9,657,892
Net realized loss on investments	(17,580,684)	(2,011,532)
Net unrealized loss on investments	(42,245,793)	(16,032,633)
Total revenue	(51,758,358)	(8,386,273)
Expenses		
Employees' salaries and benefits	1,932,645	1,767,351
Trustees' fees	108,500	108,500
Legal and audit expense	30,509	31,615
Occupancy expense	327,459	285,918
Depreciation expense	130,311	116,177
Consulting expenses	163,794	159,106
Investment management fees	1,267,496	1,653,306
Federal excise tax benefit	(337,251)	(101,321)
Other expenses	407,195	561,732
Total expenses	4,030,658	4,582,384
Excess of Expenses Over Revenues Before Grants	(55,789,016)	(12,968,657)
Grants and Scholarships Approved	15,097,964	17,787,436
Change in Net Assets	(70,886,980)	(30,756,093)
Net Assets, Beginning of Year	362,220,919	392,977,012
Net Assets, End of Year	$291,333,939	$362,220,919

See notes to financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

December 31, 2002 and 2001

Operating Activities	**2002**	**2001**
Change in net assets	$(70,886,980)	$(30,756,093)
Items not requiring (providing) cash		
Realized loss on sale of investments	17,580,684	2,011,532
Unrealized loss on investments	42,245,793	16,032,633
Deferred excise tax benefit	(422,458)	(160,326)
Depreciation	130,311	116,177
Changes in		
Accrued dividends and interest	789,995	(186,447)
Other assets	(141,661)	(5,117)
Federal excise tax payable	9,736	19,006
Accounts payable and accrued expenses	(139,434)	(124,629)
Grant and scholarship commitments	(545,613)	415,433
Net cash used in operating activities	(11,379,627)	(12,637,831)
Investing Activities		
Purchase of equipment	(19,006)	(326,550)
Purchase of investments	(586,389,123)	(792,049,439)
Proceeds from sales and maturities of investments	596,840,855	807,103,629
Net cash provided by investing activities	10,432,726	14,727,640
Net Increase (Decrease) in Cash and Cash Equivalents	(946,901)	2,089,809
Cash and Cash Equivalents, Beginning of Year	6,983,015	4,893,206
Cash and Cash Equivalents, End of Year	$6,036,114	$6,983,015
Supplemental Cash Flow Information		
Excise tax paid	$75,471	$40,000

See notes to financial statements.

"This program can be the difference in whether a visually impaired individual succeeds in life and becomes independent. Your funding has been instrumental in making this become a reality for many children and adults."

Chris Thompkins, Executive Director
Foundation for Blind Children • 2002
Phoenix, AZ

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, 2002, the Trust's cash accounts exceeded federally insured limits by approximately $6,300,000. For purposes of the statements 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 statements of activities.

Securities Lending

The Trust has entered into a securities lending agreement and guaranty with the Bank of New York. Cash, U. S. Government securities, and/or letters of credit can collateralize loaned securities. Collateral required is equal to 102 percent of the current market value of the loaned securities. Income earned from the secured lending transactions is recorded as investment income. The Trust continues to carry the loaned securities as its assets. As of December 31, 2002, the total amount of securities subject to this program was $14,536,788.

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 percent or 2 percent 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 10 years.

"The money means a lot but your belief in what we are doing means just as much."

Tim Street, Chairman of the Board
Jireh Sports • 2000
Indianapolis, IN

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, which are provided at 1 percent in the statements of activities for the years ended December 31, 2002 and 2001, included the following components:

	2002	2001
Current expense	$85,207	$59,005
Deferred expense (benefit)	(422,458)	(160,326)
Federal excise tax expense (benefit)	$(337,251)	$(101,321)

Refundable and deferred excise tax benefits at December 31, 2002 and 2001, of $573,719 and $160,997, respectively, are included in other assets.

Note 4: Investments

As of December 31, 2002 and 2001, the investments of the Trust included:

	2002		2001	
	Market Value	Amortized Cost	Market Value	Amortized Cost
U. S. Government Treasury securities	$36,216,996	$35,256,202	$65,295,080	$65,247,238
Corporate bonds	30,008,944	29,831,792	43,121,900	43,019,545
Equity securities	90,446,962	104,391,795	135,215,974	132,554,246
Mutual funds	100,204,815	143,721,368	106,569,161	123,311,791
Other	30,805,224	30,851,287	7,759,035	7,952,040
	$287,682,941	$344,052,444	$357,961,150	$372,084,860

Note 5: Derivative Financial Instruments

The Trust employs six 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, swaps 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.

The following net realized gains and losses relating to the Foundation's derivative instruments have been included in the statements of activities for the years ended December 31.

	2002	2001
U. S. Treasury futures	$1,792,138	$209,653
Fixed income options	210,371	626,117
Money market futures	518,865	649,591
Interest rate swaps and other	(632,517)	—
	$1,888,857	$1,485,361

"This gift strengthens our efforts to provide much needed services to grassroots youth workers throughout Indiana."

Bill Stanczykiewicz, Executive Director
Indiana Youth Institute • 2000
Indianapolis, IN

NOTES TO FINANCIAL STATEMENTS

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 $310,259 and $271,451 for the years ended December 31, 2002 and 2001.

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

2003	$297,049
2004	310,186
2005	318,136
2006	321,821
2007	325,505
Thereafter	777,909
Total	$2,350,606

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 makes 7 percent non-contributory contributions to each employee's 401(k) plan account based upon that employee's wages and provides matching funds on a dollar-for-dollar basis up to the first 4 percent of an employee's discretionary contribution. Total Trust contributions to the plan were $153,055 in 2002 and $57,021 in 2001.

In 2001, the Trust also maintained a money purchase defined-contribution plan. In December 2001, the money purchase plan was amended to eliminate employer contributions effective January 1, 2002. In February 2002, all plan assets were transferred into the Trust's 401(k) plan and the money purchase plan subsequently terminated. Total Trust contributions to the money purchase plan in 2001 were $92,392.

Note 8: Program Expenses

Total expenses for the years ending December 31, 2002 and 2001, were $19,128,622 and $22,369,820. Expenses related to the Trust's philanthropy program for the years ending December 31, 2002 and 2001, were $16,224,303 and $18,841,234, and expenses for management and general and investment expenses were $2,904,319 and $3,528,586.

Note 9: Grant and Scholarship Commitments

At December 31, 2002, grant and scholarship commitments are expected to be paid to qualifying organizations as follows:

2003	$2,819,367
2004	909,413
2005	477,603
2006	325,871
2007	101,574
	4,633,828
Present Value Discount	(266,469)
Total	$4,367,359

For the year ended December 31, 2002, the total amount of grant expense for prior, current and future years was $15,097,964. The discount rates used on these grants was 5.0 percent and 8.5 percent for the years ended December 31, 2002 and 2001, respectively.