Financial Statements 2007

Independent Accountants' Report

Trustees
Nina Mason Pulliam Charitable Trust
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Nina Mason Pulliam Charitable Trust (Trust) as of December 31, 2007 and 2006, 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 Nina Mason Pulliam Charitable Trust as of December 31, 2007 and 2006, 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
June 18, 2008

Statements of Financial Position

December 31, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	$ 2,208,093	$ 5,678,764
Accrued dividends and interest	838,359	918,743
Investments	397,806,305	382,953,425
Equipment and leasehold improvements - net	119,583	116,179
Other	372,017	249,825
Total assets	$ 401,344,357	$ 389,916,936
Liabilities		
Accounts payable and accrued expenses	$ 505,375	$ 444,513
Federal current and deferred excise tax	401,649	763,071
Grant and scholarship commitments	5,489,520	3,774,790
Total liabilities	6,396,544	4,982,374
Net Assets - unrestricted	394,947,813	384,934,562
Total liabilities and net assets	$ 401,344,357	$ 389,916,936

See Notes to Financial Statements

Statements of Activities

Years Ended December 31, 2007 and 2006	2007	2006
Investment Income and Fees		
Interest and dividends	$ 9,659,492	$ 10,176,307
Net realized gain on investments	46,620,777	17,261,094
Net unrealized gain (loss) on investments	(23,488,683)	19,813,507
Total investment income	32,791,586	47,250,908
Investment management fees and expenses	(1,795,838)	(1,297,714)
Net investment income	30,995,748	45,953,194
Expenses		
Employees' salaries and benefits	2,286,087	2,189,422
Trustees' fees	117,500	125,000
Legal and audit expense	53,869	40,494
Occupancy expense	344,974	342,209
Depreciation expense	35,883	69,676
Communications and consulting expenses	273,908	264,231
Other expenses	380,044	356,817
Total expenses	3,492,265	3,387,849
Excess of Investment Income Over Expenses Before Grants and Scholarships and Excise Tax	27,503,483	42,565,345
Grants and Scholarships Approved	16,877,093	13,076,996
Federal Excise Tax Expense	613,139	913,528
Change in Unrestricted Net Assets	10,013,251	28,574,821
Unrestricted Net Assets, Beginning of Year	384,934,562	356,359,741
Unrestricted Net Assets, End of Year	$ 394,947,813	$ 384,934,562

"Trust funding allows us to leverage funding from other sources and provides a much needed endorsement of the importance of our work in the community. We consider the Trust to be one of our true partners as we pledge to break the cycle of homelessness in Indianapolis through education."

Sally Bindley, founder and executive director
School on Wheels, Indianapolis

"With the Trust's support for our conservation work, we have protected over 1900 acres; 38 in Putnam County and 1876 in the Brown County Hills. We have distributed 1500 CD ROMs to classrooms and youth groups, reaching a new generation of children with our message of conservation."

Mary McConnell, state director
The Nature Conservancy, Inc., Indiana Chapter

See Notes to Financial Statements

Statements of Cash Flows

Years Ended December 31, 2007 and 2006	2007	2006
Operating Activities		
Cash receipts from interest and dividends	$ 9,739,876	$ 10,030,479
Cash paid for grants and scholarships	(15,162,363)	(14,055,929)
Cash paid to employees for salaries and benefits	(2,257,050)	(2,190,993)
Cash paid to investment managers and advisors	(1,812,405)	(1,401,416)
Cash paid to vendors	(1,126,595)	(967,098)
Cash paid for excise taxes	(974,561)	(511,435)
Cash paid for Trustee fees	(117,500)	(125,000)
Net cash used in operating activities	(11,710,598)	(9,221,392)
Investing Activities		
Purchase of equipment	(39,287)	(28,982)
Purchase of investments	(781,376,310)	(504,385,215)
Proceeds from sales and maturities of investments	789,655,524	515,007,890
Net cash provided by investing activities	8,239,927	10,593,693
Net Increase (Decrease) in Cash and Cash Equivalents	(3,470,671)	1,372,301
Cash and Cash Equivalents, Beginning of Year	5,678,764	4,306,463
Cash and Cash Equivalents, End of Year	$ 2,208,093	$ 5,678,764
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities		
Change in net assets	$ 10,013,251	$ 28,574,821
Items not requiring (providing) cash		
Realized gain on sale of investments	(46,620,777)	(17,261,094)
Unrealized (gain) loss on investments	23,488,683	(19,813,507)
Deferred excise tax expense	(469,317)	396,159
Depreciation	35,883	69,676
Changes in		
Accrued dividends and interest	80,384	(145,828)
Other assets	(122,192)	(55,115)
Federal excise tax payable	107,895	5,934
Accounts payable and accrued expenses	60,862	(13,505)
Grant and scholarship commitments	1,714,730	(978,933)
Net cash used in operating activities	$ (11,710,598)	$ (9,221,392)

See Notes to Financial Statements

December 31, 2007 and 2006

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. 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, 2007, the Trust's cash accounts exceeded federally insured limits by approximately $2,120,500. 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 in marketable equity and fixed income securities with readily determinable market values are recorded at their publicly quoted market prices. The market values for alternative investments and hedge funds represent the Trust's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by management. Alternative investments and hedge funds are not publicly traded on national security market exchanges, are generally illiquid and may be valued differently than if readily available markets existed for such investments. Because of the inherent uncertainties of valuation of alternative investments and hedge funds, the reported values of such investments may differ significantly from realizable values.

Investment income consists of the Trust's distributive share of any interest, dividends, and realized and unrealized gains and losses generated from the Trust's investments. Gains and losses attributable to the Trust's investments are realized and reported upon sale of disposition of the investment. Unrealized gains and losses are included in the change in net assets 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, 2007, the total amount of securities subject to this program was $19,578,311.

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

The Trust carries equipment, leasehold improvements and automobiles at cost. Depreciation is computed using the straight-line method based upon the estimated useful lives that range from three to 10 years.

Net Asset Classification

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

The Trust used a 2 percent Federal excise tax rate for the current and deferred tax provisions for the years ended December 31, 2007 and 2006. The Federal excise tax expense components are as follows:

	2007	2006
Current expense	$ 1,082,456	$ 517,369
Deferred expense	(469,317)	396,159
Federal excise tax expense	$ 613,139	$ 913,528

NOTE 4: INVESTMENTS

As of December 31, 2007 and 2006, the investments of the Trust included:

	2007		2006	
	Market Value	Amortized Cost	Market Value	Amortized Cost
Domestic equities and equity funds	$ 124,217,834	$ 110,191,336	$ 223,108,323	$ 201,442,745
International equity funds and partnerships	98,843,829	100,925,634	45,728,218	34,097,876
Fixed income securities and funds	91,078,304	88,947,737	86,734,072	87,985,758
Alternative investments and hedge funds	47,941,046	48,252,161	–	–
Natural resources and commodities funds	24,750,512	23,873,746	9,652,135	10,805,195
Real estate investments	10,786,942	12,248,039	17,730,677	11,949,170
Other	187,838	187,838	–	–
	$ 397,806,305	$ 384,626,491	$ 382,953,425	$ 346,280,744

NOTE 5: DERIVATIVE FINANCIAL INSTRUMENTS

The Trust employs a wide range of investment managers to manage its portfolio. The Trust requires these managers to follow its 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 Trust's derivative instruments have been included in the statements of activities for the years ended December 31.

	2007	2006
U.S. Treasury and agency futures	$ (679,592)	$ 101,839
Fixed income options	31,810	(6,910)
Money market futures	1,472,712	(168,151)
Interest rate swaps and other	5,672	2,351
	$ 830,602	$ (70,871)

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 $344,974 and $332,684 for the years ended December 31, 2007 and 2006, respectively.

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

2008	$ 328,269
2009	168,197
2010	170,416
2011	571
Total	$ 667,453

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 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 $167,387 in 2007 and $163,454 in 2006.

In 2004, the Trust adopted a key employee wage deferral plan under Section 457(b) of the Internal Revenue Code. The Trust contributes to the plan based on the employee's position and a percentage of salary. Total Trust contributions to the plan were $30,510 in 2007 and $29,402 in 2006.

NOTE 8: PROGRAM EXPENSES

The components of program and support services expenses for the years ended December 31, 2007 and 2006, included:

	2007	2006
Direct philanthropy program expenses	$ 18,275,736	$ 14,385,436
General and administrative expenses	2,093,622	2,079,409
Investment management and excise tax expenses	2,408,977	2,211,242
	$ 22,778,335	$ 18,676,087

NOTE 9: GRANT AND SCHOLARSHIP COMMITMENTS

At December 31, 2007, grant and scholarship commitments are expected to be paid to qualifying organizations as follows:

2008	$ 3,313,725
2009	1,445,809
2010	765,331
2011	142,193
2012	33,841
	5,700,899
Present value discount	(211,379)
Total	$ 5,489,520

For the years ended December 31, 2007 and 2006, the total amount of grant expense for prior, current and future years was $16,877,093 and $13,076,996, respectively. The discount rates used on grant commitments for the years 2008 through 2012 range from 4.0 percent to 8.5 percent.