

Nina Mason Pulliam Charitable Trust

Independent Auditor's Report and Financial Statements

**December 31, 2022 and 2021
(Modified Cash Basis)**



Nina Mason Pulliam Charitable Trust

December 31, 2022 and 2021

Contents

Independent Auditor's Report.....	1
-----------------------------------	---

Financial Statements – Modified Cash Basis

Statements of Financial Position	3
Statement of Receipts, Disbursements and Changes in Net Assets.....	4
Notes to Financial Statements	5

Independent Auditor's Report

Board of Trustees
Nina Mason Pulliam Charitable Trust
Indianapolis, Indiana

Opinion

We have audited the statements of financial position as of December 31, 2022 and 2021 of Nina Mason Pulliam Charitable Trust, and the related statement of receipts, disbursements, and changes in net assets for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nina Mason Pulliam Charitable Trust as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year ended December 31, 2022 in accordance with modified cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nina Mason Pulliam Charitable Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nina Mason Pulliam Charitable Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nina Mason Pulliam Charitable Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS,LLP

Indianapolis, Indiana
June 26, 2023

Nina Mason Pulliam Charitable Trust
Statements of Financial Position
December 31, 2022 and 2021
(Modified Cash Basis)

	2022	2021
Assets		
Cash and cash equivalents	\$ 4,743,420	\$ 43,255,226
Investments		
Domestic equity funds	72,037,822	82,340,434
International equity funds	45,304,825	48,454,036
Fixed income securities and funds	86,876,730	75,715,468
Alternative investments and hedge funds	44,225,509	66,406,108
Natural resources and commodities funds	9,596,626	9,854,886
Nonmarketable alternative investment funds	160,312,887	186,538,893
Equipment and leasehold improvements - net	294,219	319,169
Other	477,754	560,716
Total assets	\$ 423,869,792	\$ 513,444,936
Liabilities		
Accrued expenses - deferred compensation holdings	\$ 333,638	\$ 427,819
Net Assets - without donor restrictions	423,536,154	513,017,117
Total liabilities and net assets	\$ 423,869,792	\$ 513,444,936

Nina Mason Pulliam Charitable Trust
Statement of Receipts, Disbursements and Changes in Net Assets
Year Ended December 31, 2022
(Modified Cash Basis)

	2022
Receipts and Investment Loss	
Interest and dividends	\$ 1,300,480
Net realized and unrealized losses on investments	(65,943,315)
Total investment loss	(64,642,835)
Investment management fees and expenses	(1,520,536)
Net receipts and investment loss	(66,163,371)
Disbursements	
Employee salary expense	2,347,692
Employee benefits expense	655,461
Occupancy expense	255,467
Trustees' fees	190,500
Technology expense	149,419
Legal and accounting expense	129,276
Employee Travel	128,562
Depreciation expense	87,018
Insurance expense	70,743
Organizational membership expense	67,134
Employee Development expense	58,846
Other expense	91,022
Total disbursements	4,231,140
Excess of Disbursements Over Receipts and Investment Loss	
Before Grants, Scholarships and Excise Tax Paid	(70,394,511)
Grants and Scholarships Paid	18,283,399
Federal Excise Tax Expense Paid	803,053
Change in Net Assets Without Donor Restrictions	(89,480,963)
Net Assets Without Donor Restrictions, Beginning of Year	513,017,117
Net Assets Without Donor Restrictions, End of Year	\$ 423,536,154

Nina Mason Pulliam Charitable Trust

Notes to Financial Statements

December 31, 2022 and 2021

(Modified Cash Basis)

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 from the Trust property to qualified organizations, at a minimum annually, the amount necessary to comply with federal tax laws. 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. The Trust also sponsors the Nina Mason Pulliam Legacy Scholars program, which provides post-secondary educational opportunities for individuals who would not normally receive traditional scholarships, and whose personal commitments and financial circumstances would preclude their attendance without substantial, long-term scholarship support. Nina Scholars are: adults with dependents in their family unit; college-age youth and adults with physical disabilities; or students who have experienced foster care or have been disconnected from their parents or primary caregiver and are responsible for their own financial support.

Note 2: Summary of Significant Accounting Policies

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

Basis of Accounting

During 2022, the Trust transitioned to reporting on the modified cash basis of accounting. As a result, comparative statements of receipts, disbursements and changes in net assets were not prepared, and audited under the new basis of accounting and therefore, only 2022 is presented within these financial statements.

The Trust prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America. The principle difference between the modified cash basis of accounting and accounting principles generally accepted in the United States of America (GAAP) for the Trust is that expenses and revenues are recognized when paid or received rather than when occurred or earned. The cash basis of accounting has been modified to reflect capitalization and depreciation of equipment and leasehold improvements as well as appreciation/depreciation of investments. Additionally, accrued expenses are reported for deferred compensation holdings which represent assets held by the Trust that will be paid out over the next three years to retired employees.

Nina Mason Pulliam Charitable Trust
Notes to Financial Statements
December 31, 2022 and 2021
(Modified Cash Basis)

Use of Estimates

Trust management has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, in preparing these financial statements in conformity with the modified cash basis of accounting. Estimates also affect the reported amounts of revenues, gains and losses, program grants and operating expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of money market funds and bank certificates of deposit. Uninvested cash and cash equivalents included in investments are not considered to be cash and cash equivalents.

The current FDIC insurance limit for cash accounts is \$250,000. At December 31, 2022, the Trust's interest-bearing cash accounts exceeded federally insured limits by approximately \$3.8 million.

Investments

The Trust's long-term financial objectives are to preserve and enhance the inflation adjusted value of its assets and provide a stable stream of earnings consistent with spending needs. The Trust's primary long-term absolute investment objective is to earn an average annual inflation adjusted total return of at least 5 percent, net of all investment management fees, operating expenses and taxes over long-term periods.

Investments are recorded at fair value in the accompanying financial statements. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (that is, an exit price).

Fair value for Level 1 assets is determined based on quoted market prices in active markets for identical assets and liabilities. Where quoted market prices are not available, the Trust uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs in determining fair value. Investments in commingled funds, trusts and limited partnerships (funds) are valued at net asset value per share (NAV) as provided by the funds' administrator or general partner. When applicable, the Trust uses net assets from the funds' audited financial statements multiplied by the Trust's interest in the funds to record the fair value of its investments. Investments measured at NAV are not classified within the fair value hierarchy. The Trust's policy is to recognize transfers between levels, if any, at the end of each year.

Nina Mason Pulliam Charitable Trust
Notes to Financial Statements
December 31, 2022 and 2021
(Modified Cash Basis)

The inputs used in valuing the Trust's investments are not necessarily an indication of investment risks. The Trust's investments are exposed to various risks, such as interest rate, credit, currency and overall market volatility risk. Due to these risks, it is possible that changes in the values of investments could occur in the near term and that such changes could materially affect the net assets recorded in the accompanying financial statements.

Investment receivables represent withdrawals from fund managers that were in-transit at year end.

Excise and Income Taxes

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. Private Foundations are subject to a private foundation federal excise tax of 1.39% on net investment income, as defined by the Code. The Trust is also subject to federal and state income taxes on unrelated business taxable income. In the opinion of management, the Trust did not have material unrelated business taxable income in 2022.

Equipment and Leasehold Improvements

The Trust records 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 ten years.

Net Asset Classification

All net assets of the Trust are not restricted and may be used at the discretion of the Trustees to support the Trust's purposes and operations.

Functional Allocation of Expenses

The costs of supporting programs and other activities have been summarized on a natural classification basis on the statement of receipts, disbursements and changes in net assets. The functional expense footnote presents the natural classification detail of expenses by function. Certain costs have been allocated among philanthropy program and management and general expense categories based on time expended and other methods.

Nina Mason Pulliam Charitable Trust
Notes to Financial Statements
December 31, 2022 and 2021
(Modified Cash Basis)

Subsequent Events

The Trust has evaluated and disclosed, if any, subsequent events that occurred after December 31, 2022 and through June 26, 2023, which is the date the financial statements were available to be issued.

Note 3: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Quoted market prices for similar assets and liabilities in an active market; quoted prices for identical or similar assets or liabilities in an inactive market and calculation techniques utilizing observable market inputs
- Level 3** Valuations derived from techniques in which one or more significant inputs are unobservable

Nina Mason Pulliam Charitable Trust
Notes to Financial Statements
December 31, 2022 and 2021
(Modified Cash Basis)

Recurring Measurements

Fair value of the Trust's investments has been determined using the valuation hierarchy at December 31, 2022 and 2021:

	Fair Value Measurements Using			Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2022				
Investments				
Domestic equity funds	\$ 26,937,854	\$ -	\$ -	\$ 26,937,854
International equity funds	9,891,511	-	-	9,891,511
Fixed income securities and funds	39,046,219	-	-	39,046,219
Natural resources and commodities funds	9,596,626	-	-	9,596,626
Total investments in the fair value hierarchy	<u>\$ 85,472,210</u>	<u>\$ -</u>	<u>\$ -</u>	85,472,210
Investments measured at NAV ^(A)				<u>332,882,189</u>
Investments at fair value				<u>\$ 418,354,399</u>
December 31, 2021				
Investments				
Domestic equity funds	\$ 27,576,506	\$ -	\$ -	\$ 27,576,506
Fixed income securities and funds	33,501,657	-	-	33,501,657
Natural resources and commodities funds	9,854,886	-	-	9,854,886
Total investments in the fair value hierarchy	<u>\$ 70,933,049</u>	<u>\$ -</u>	<u>\$ -</u>	70,933,049
Investments measured at NAV ^(A)				<u>398,376,776</u>
Investments at fair value				<u>\$ 469,309,825</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Nina Mason Pulliam Charitable Trust

Notes to Financial Statements

December 31, 2022 and 2021

(Modified Cash Basis)

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2022.

Investments

Domestic Equity Funds: Investments include one publicly-traded mutual fund, one actively managed U.S. equity long/short commingled fund, one separately managed equity account, and two publicly-traded exchange traded funds. The underlying assets of all commingled funds are marketable equity securities and the fair values are estimated using the net asset values (NAV) of the Trust's ownership interest in the fund. The publicly-traded mutual fund, separately managed account, and publicly-traded exchange traded funds are included within Level 1 of the valuation hierarchy and the commingled fund is included within the Investments Measured at NAV category of the valuation hierarchy.

International Equity Funds: Investments include four actively managed global/international commingled equity funds, one publicly-traded mutual fund, and two publicly-traded exchange traded funds. The underlying assets of all commingled funds are marketable equity securities and the fair value of the commingled investment funds are estimated using the NAV of the Trust's ownership interest in each fund. The publicly-traded mutual fund and publicly-traded exchange traded funds are included within Level 1 of the valuation hierarchy. The commingled funds are included within the Investments Measured at NAV category of the valuation hierarchy.

Fixed Income Securities and Funds: Investments include one passively managed separate account, two commingled fixed income funds, and one publicly-traded exchange traded fund. Fixed income securities owned by the Trust are valued using quoted market prices in active markets and are classified within Level 1 of the valuation hierarchy. The publicly-traded exchange traded fund is included within Level 1 of the valuation hierarchy. The value of the commingled fixed income funds are estimated using the NAV of the Trust's ownership interest in each fund and is included within the Investments Measured at NAV category of the valuation hierarchy.

Alternative Investments and Hedge Funds: Investments include eight absolute return and two long/short hedge funds.

Absolute return funds include diversified, event arbitrage and distressed securities strategies that seek to diversify risk and reduce portfolio volatility. Managers of these funds have significant discretion to allocate resources among several strategies including event arbitrage, convertible bond arbitrage, special situations and distressed securities. Managers may have the flexibility to use limited leverage and to implement strategies on a U.S. or global basis. The fair values of the investments in this category have been estimated using the NAV per share of the absolute return fund as provided by the investment administrators.

Hedge funds invest in both long and short strategies primarily in U.S. and global common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position and can use limited leverage. The fair values of the hedge fund investments in this category have been estimated using the NAV per share of the investments.

Nina Mason Pulliam Charitable Trust

Notes to Financial Statements

December 31, 2022 and 2021

(Modified Cash Basis)

Natural Resources and Commodities Funds: Investments include two publicly-traded exchange-traded funds. The publicly-traded exchange traded funds are included within Level 1 of the valuation hierarchy.

Nonmarketable Alternative Investment Funds: Investments include private equity, venture capital, commodities partnerships, real estate and distressed debt investments. These investments cannot be redeemed from the partnerships but the Trust will receive distributions from each fund as they liquidate their underlying investments. Investment managers estimate the funds will liquidate their investments over a 7 to 12 year timeframe from the initial closing date. Because it is improbable that any individual investment will be sold, the Trust has recorded each individual investment's estimate of fair value using the NAV of the Trust's ownership interest in the partnership's capital. However, the Trust may sell its interests in nonmarketable funds in a secondary market, but as of December 31, 2022, has no plans to do so before liquidation. All nonmarketable alternative investment partnerships are included within the Investments Measured at NAV category of the valuation hierarchy.

The following tables present information regarding funds with fair value that is determined using the net asset value (or its equivalent) provided by the fund.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
December 31, 2022				
Investments				
Domestic equity funds	\$ 45,099,968	\$ -	Quarterly, annually	30-60 days
International equity funds	35,413,314	-	Monthly, quarterly	6-15 days
Fixed income securities and funds	47,830,511	-	Monthly, quarterly	10-90 days
Alternative investments and hedge funds	44,225,509	-	Quarterly, annually	5-90 days
Nonmarketable alternative investment funds	<u>160,312,887</u>	<u>44,000,000</u>	Not eligible	n/a
	<u><u>\$ 332,882,189</u></u>	<u><u>\$ 44,000,000</u></u>		
December 31, 2021				
Investments				
Domestic equity funds	\$ 54,763,928	\$ -	Quarterly, annually	30-60 days
International equity funds	48,454,036	-	Monthly, quarterly	6-15 days
Fixed income securities and funds	42,213,811	-	Monthly, quarterly	10-90 days
Alternative investments and hedge funds	66,406,108	-	Quarterly, annually	5-90 days
Nonmarketable alternative investment funds	<u>186,538,893</u>	<u>42,800,000</u>	Not eligible	n/a
	<u><u>\$ 398,376,776</u></u>	<u><u>\$ 42,800,000</u></u>		

Nina Mason Pulliam Charitable Trust
Notes to Financial Statements
December 31, 2022 and 2021
(Modified Cash Basis)

Note 4: 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 \$210,792 for the year ended December 31, 2022.

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

2023	\$ 386,496
2024	394,086
2025	401,676
2026	409,266
2027	416,856
Thereafter	<u>1,631,137</u>
Total	<u><u>\$ 3,639,517</u></u>

Note 5: Employee Benefit Plans

The Trust provides a retirement benefit plan under Section 401(k) of the Internal Revenue Code (Code) that covers all participating employees. The Trust makes eight 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 four percent of an employee's discretionary contribution. Total Trust contributions to the plan were \$266,902 for the year ended December 31, 2022.

The Trust also provides a key employee wage deferral plan under Section 457(b) of the Code. The Trust does not make contributions to the plan, but does accept key employee elective contributions.

Nina Mason Pulliam Charitable Trust
Notes to Financial Statements
December 31, 2022 and 2021
(Modified Cash Basis)

Note 6: Functional Expense Disbursements

The components of program and support services disbursements for the year ended December 31, 2022, included:

	Direct Philanthropy Program Disbursements	General and Administrative Disbursements	Total
December 31, 2022			
Employee salary expense	\$ 1,642,492	\$ 705,200	\$ 2,347,692
Employee benefits expense	523,375	132,086	655,461
Occupancy expense	179,920	75,547	255,467
Trustees' fees	95,250	95,250	190,500
Technology expense	104,594	44,825	149,419
Legal and accounting expense	10,242	119,034	129,276
Employee Travel	76,019	52,543	128,562
Depreciation expense	60,912	26,106	87,018
Insurance expense	49,520	21,223	70,743
Organizational membership expense	62,765	4,369	67,134
Employee Development expense	40,840	18,006	58,846
Other expense	73,456	17,566	91,022
	<u>2,919,385</u>	<u>1,311,755</u>	<u>4,231,140</u>
Grants and scholarships paid	<u>18,283,399</u>	<u>-</u>	<u>18,283,399</u>
	<u><u>\$ 21,202,784</u></u>	<u><u>\$ 1,311,755</u></u>	<u><u>\$ 22,514,539</u></u>

The schedule above does not include an allocation of federal excise tax expense, which totaled \$803,053 for the year ended December 31, 2022 and would otherwise be classified as a general and administrative disbursements.

Nina Mason Pulliam Charitable Trust
Notes to Financial Statements
December 31, 2022 and 2021
(Modified Cash Basis)

Note 7: Liquidity and Availability

Financial assets available for general expenditure within one year of December 31, 2022 and 2021, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 4,743,420	\$ 43,255,227
Redeemable - investments	258,041,512	282,770,932
Financial assets available to meet cash needs for general expenditures within one year	\$ 262,784,932	\$ 326,026,159

The Trust structures its financial assets to be available as its grants, general expenditures, liabilities and other obligations come due. To achieve this, the Trust forecasts its future cash flows and monitors its liquidity on a quarterly and annual basis. In addition, as part of its liquidity management, the Trust invests cash in excess of daily requirements in various short-term investments, including certificates of deposits and short-term treasury instruments.

The Trust's investment policy requires that at least 30 percent of total assets must be liquid within one month and the portfolio generally holds at least two years' worth of anticipated expenditures, including grant disbursements, in highly liquid U.S. Treasury securities and cash. During the years ended December 31, 2022 and 2021, the level of liquidity was managed within the policy requirements.

Note 8: Grant and Scholarship Commitments

At December 31, 2022, grant and scholarship commitments are expected to be paid to qualifying organizations as follows:

2023	\$ 8,883,916
2024	4,812,750
2025	1,128,150
2026	157,000
2027	94,200
2028	31,400
Total	\$ 15,107,416