

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

For the 2001 calendar year, or tax year period beginning AUG 1, 2001 and ending JUL 31, 2002

Section B: Check if applicable (Address change, Name change, Initial return, Final return, Amended return, Application pending). Section C: Name of organization (NATIONAL INSTITUTE FOR DIRECT INSTRUCTION), Address (PO BOX 11248, EUGENE, OR 97440), Room/suite, and City or town, state or country, and ZIP + 4. Section D: Employer identification number (93-1241440). Section E: Telephone number ((541) 485-1163). Section F: Accounting method (Cash, Accrual).

Section G: Web site (HTTP://WWW.NIFDI.ORG/). Section H: H(a) Is this a group return for affiliates? (No). H(b) If "Yes," enter number of affiliates. H(c) Are all affiliates included? (N/A). H(d) Is this a separate return filed by an organization covered by a group ruling? (No).

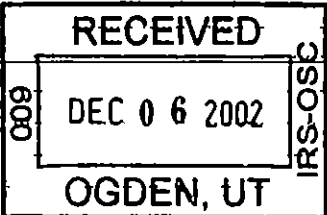
Section J: Organization type (501(c)(3)). Section K: Check here if the organization's gross receipts are normally not more than \$25,000.

Section L: Gross receipts (1,261,878). Section M: Check if the organization is not required to attach Sch B (Form 990, 990-EZ or 990-PF).

Section L: Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 (1,261,878).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Table with columns for Revenue, Expenses, and Net Assets. Rows include: 1 Contributions, gifts, grants, and similar amounts received (100,000); 2 Program service revenue including government fees and contracts (1,144,856); 3 Membership dues and assessments; 4 Interest on savings and temporary cash investments (14,022); 5 Dividends and interest from securities; 6a Gross rents; 6b Less rental expenses; 6c Net rental income or (loss); 7 Other investment income; 8a Gross amount from sale of assets other than inventory; 8b Less cost or other basis and sales expenses; 8c Gain or (loss); 8d Net gain or (loss); 9 Special events and activities; 9a Gross revenue; 9b Less direct expenses other than fundraising expenses; 9c Net income or (loss); 10a Gross sales of inventory less returns and allowances; 10b Less cost of goods sold; 10c Gross profit or (loss); 11 Other revenue (3,000); 12 Total revenue (1,261,878); 13 Program services; 14 Management and general; 15 Fundraising; 16 Payments to affiliates; 17 Total expenses (1,112,364); 18 Excess or (deficit) for the year (149,514); 19 Net assets or fund balances at beginning of year (1,122,846); 20 Other changes in net assets or fund balances (48,750); 21 Net assets or fund balances at end of year (1,321,110).



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NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

Part II Statement of Functional Expenses		All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others			
Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule)				
	cash \$ _____ noncash \$ _____	22			
23	Specific assistance to individuals (attach schedule)	23			
24	Benefits paid to or for members (attach schedule)	24			
25	Compensation of officers, directors, etc	25	163,313.	117,896.	45,417.
26	Other salaries and wages	26	30,595.		0.
27	Pension plan contributions	27		30,595.	
28	Other employee benefits	28			
29	Payroll taxes	29	16,818.	10,225.	6,593.
30	Professional fundraising fees	30			
31	Accounting fees	31			
32	Legal fees	32			
33	Supplies	33	3,708.		3,708.
34	Telephone	34	8,633.		8,633.
35	Postage and shipping	35	15,565.		15,565.
36	Occupancy	36	2,400.		2,400.
37	Equipment rental and maintenance	37			
38	Printing and publications	38			
39	Travel	39			
40	Conferences, conventions, and meetings	40			
41	Interest	41	94.		94.
42	Depreciation, depletion, etc (attach schedule)	42	225.	225.	
43	Other expenses not covered above (itemize)				
a	_____	43a			
b	_____	43b			
c	_____	43c			
d	_____	43d			
e	SEE STATEMENT 2	43e	871,013.	707,516.	163,497.
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D) carry these totals to lines 13-15	44	1,112,364.	835,862.	276,502.

Joint Costs Check if you are following SOP 98-2
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to Program services \$ _____,
 (iii) the amount allocated to Management and general \$ _____, and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? <input type="checkbox"/>	Program Service Expenses (Required for 501(c)(3) and (4) orgs and 4947(a)(1) trusts but optional for others)
EDUCATIONAL TRAINING	
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	
a ORGANIZATION IS IMPLEMENTING DIRECT INSTRUCTION THROUGHOUT THE UNITED STATES, PROVIDING THE BENEFITS IN EDUCATING STUDENTS TO THE COMMUNITY.	
(Grants and allocations \$ _____)	835,862.
b _____	
(Grants and allocations \$ _____)	
c _____	
(Grants and allocations \$ _____)	
d _____	
(Grants and allocations \$ _____)	
e Other program services (attach schedule)	(Grants and allocations \$ _____)
f Total of Program Service Expenses (should equal line 44 column (B) Program services)	835,862.

Part IV Balance Sheets

Note		(A)		(B)
Where required, attached schedules and amounts within the description column should be for end-of-year amounts only		Beginning of year		End of year
Assets	45 Cash - non-interest-bearing	844,768.	45	1,270,611.
	46 Savings and temporary cash investments		46	
	47 a Accounts receivable	66,500.		
	47 a 47a			
	b Less allowance for doubtful accounts		47b	66,500.
	47 b 47b			
	48 a Pledges receivable			
	48 a 48a			
	b Less allowance for doubtful accounts		48b	48c
	48 b 48b			
	49 Grants receivable		49	
	50 Receivables from officers, directors, trustees, and key employees		50	
	51 a Other notes and loans receivable	3,381.		
	51 a 51a			
	b Less allowance for doubtful accounts		51b	51c
	51 b 51b			3,381.
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges		53	29,158.
	54 Investments - securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54	
55 a Investments - land, buildings, and equipment basis				
55 a 55a				
b Less accumulated depreciation		55b	55c	
55 b 55b				
56 Investments - other		56		
57 a Land, buildings, and equipment basis				
57 a 57a				
b Less accumulated depreciation		57b	57c	
57 b 57b				
58 Other assets (describe ORGANIZATIONAL COSTS)		657.	58	432.
59 Total assets (add lines 45 through 58) (must equal line 74)		1,139,595.	59	1,370,082.
Liabilities	60 Accounts payable and accrued expenses	16,749.	60	39,409.
	61 Grants payable		61	
	62 Deferred revenue		62	9,563.
	63 Loans from officers, directors, trustees, and key employees		63	
	64 a Tax-exempt bond liabilities		64a	
	b Mortgages and other notes payable		64b	
	65 Other liabilities (describe)		65	
66 Total liabilities (add lines 60 through 65)		16,749.	66	48,972.
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74			
	67 Unrestricted	1,122,846.	67	1,321,110.
	68 Temporarily restricted		68	
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74			
	70 Capital stock, trust principal or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)		1,122,846.	73
74 Total liabilities and net assets / fund balances (add lines 66 and 73)		1,139,595.	74	1,370,082.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

NATIONAL INSTITUTE FOR DIRECT
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Form 990 (2001)

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Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return

a	Total revenue, gains, and other support per audited financial statements	a	1,261,878.
b	Amounts included on line a but not on line 12, Form 990		
(1)	Net unrealized gains on investments \$		
(2)	Donated services and use of facilities \$		
(3)	Recoveries of prior year grants \$		
(4)	Other (specify) \$		
	Add amounts on lines (1) through (4)	b	0.
c	Line a minus line b	c	1,261,878.
d	Amounts included on line 12, Form 990 but not on line a		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify) \$		
	Add amounts on lines (1) and (2)	d	0.
e	Total revenue per line 12 Form 990 (line c plus line d)	e	1,261,878.

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

a	Total expenses and losses per audited financial statements	a	1,112,364.
b	Amounts included on line a but not on line 17, Form 990		
(1)	Donated services and use of facilities \$		
(2)	Prior year adjustments reported on line 20, Form 990 \$		
(3)	Losses reported on line 20, Form 990 \$		
(4)	Other (specify) \$		
	Add amounts on lines (1) through (4)	b	0.
c	Line a minus line b	c	1,112,364.
d	Amounts included on line 17, Form 990 but not on line a		
(1)	Investment expenses not included on line 6b Form 990 \$		
(2)	Other (specify) \$		
	Add amounts on lines (1) and (2)	d	0.
e	Total expenses per line 17, Form 990 (line c plus line d)	e	1,112,364.

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
KURT ENGELMANN 650 KINGSWOOD AVENUE EUGENE, OR 97405	PRESIDENT 30	36,875.	0.	0.
JEANNIE GAYLORD 363 LINDALE I-1 SPRINGFIELD, OR 97440	SECRETARY-TREASURER 15	0.	0.	0.
SIEGFRIED ENGELMANN PO BOX 448 EUGENE, OR 97440	DIRECTOR 5	0.	0.	0.
OWEN ENGELMANN 3966 MONROE STREET EUGENE, OR 97405	DIRECTOR 10	8,542.	0.	0.
GARY DAVIS 3291 INSPIRATION POINT DRIVE EUGENE, OR 97405	DIRECTOR 30	73,000.	0.	0.
ROBERT FOX 80 NW 99TH AVENUE PORTLAND, OR 97229	DIRECTOR 0	0.	0.	0.
MARY GLEASON 3449 CHAUCER WAY EUGENE, OR 97405	DIRECTOR 20	44,896.	0.	0.
VICKY VACHON 4721 WOODSIDE PLACE WEST VANCOUVER, BC CANADA V7S2X5	DIRECTOR/CONSULTANT 30	0.	0.	0.

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? If "Yes" attach schedule Yes No Form 990 (2001)

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INSTRUCTION**

Form 990 (2001)

93-1241440

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Part VI Other Information		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77	X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A	78b	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt		
81 a	Enter direct or indirect political expenditures. See line 81 instructions 81a 0.		
b	Did the organization file Form 1120-POL for this year?	81b	X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) 82b N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions? N/A	83b	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A	84b	
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members? N/A	85a	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year. N/A	85b	
c	Dues, assessments, and similar amounts from members 85c N/A		
d	Section 162(e) lobbying and political expenditures 85d N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount in 85f? N/A	85g	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount in 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A	85h	
86	501(c)(7) organizations Enter: a Initiation fees and capital contributions included on line 12 86a N/A		
b	Gross receipts included on line 12, for public use of club facilities 86b N/A		
87	501(c)(12) organizations Enter: a Gross income from members or shareholders 87a N/A		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) 87b N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	X
89 a	501(c)(3) organizations Enter: Amount of tax imposed on the organization during the year under section 4911 0. , section 4912 0. , section 4955 0.		
b	501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b	X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 0.		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization 0.		
90 a	List the states with which a copy of this return is filed OREGON	90a	
b	Number of employees employed in the pay period that includes March 12, 2001 6	90b	6
91	The books are in care of JEANNIE GAYLORD Telephone no (541) 485-1163		
	Located at 805 LINCOLN STREET EUGENE, OR ZIP + 4 97401		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year 92 N/A		

Part VII Analysis of Income-Producing Activities (See Specific Instructions on page 32)

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
Note Enter gross amounts unless otherwise indicated					
93 Program service revenue					
a DIRECT INSTRUCTION					1,144,856.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	14,022.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a REIMBURSABLE SUPPLIES					3,000.
b					
c					
d					
e					
104 Subtotal (add columns (B), (D) and (E))		0.		14,022.	1,147,856.
105 Total (add line 104, columns (B), (D), and (E))					1,161,878.

Note Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See Specific Instructions on page 32)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93A	INCOME FROM IMPLEMENTING DIRECT INSTRUCTION
103A	REIMBURSIBLE SUPPLIES

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See Specific Instructions on page 33)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See Specific Instructions on page 33)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Accompanying schedules and statements and to the best of my knowledge and belief it is true, information of which preparer has any knowledge.

-19-02 JEANIE GAYLORD SECT/TRES

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information-(See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

2001

Name of the organization **NATIONAL INSTITUTE FOR DIRECT
INSTRUCTION**

Employer identification number
93 1241440

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 1 of the instructions List each one If there are none, enter "None")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
NONE				
Total number of other employees paid over \$50,000 ▶	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 2 of the instructions List each one (whether individuals or firms) If there are none, enter "None")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
DEBORAH LOSCHIAVO ----- 1945 SUNRISE BLVD, EUGENE, OR 97405	DIRECT INSTRUCTION IMPLE	79,575.
LINDA FROST ----- 811 STAGS HEAD ROAD TOWSON, MD 21286	DIRECT INSTRUCTION IMPLE	89,084.
MARIA VANONI ----- 32 LUBBER ST, STONEY BROOK, NY 11790	DIRECT INSTRUCTION IMPLE	85,118.
VICKY VACHON ----- 4721 WOODSIDE PL WEST VANCOUVER, BC V75 2X5	DIRECT INSTRUCTION IMPLE	82,488.
TAMI MCGRATTAN ----- 794 HWY MM OREGON, WISCONSIN 53575	DIRECT INSTRUCTION IMPLE	63,218.
Total number of others receiving over \$50,000 for professional services ▶	0	

Part III Statements About Activities (See page 2 of the instructions)		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ \$ <u>82,063.</u> (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.	X	
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions)		
a	Sale, exchange, or leasing of property?		X
b	Lending of money or other extension of credit?		X
c	Furnishing of goods, services, or facilities?		X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?		X
e	Transfer of any part of its income or assets?		X
3	Does the organization make grants for scholarships, fellowships, student loans, etc.? (See Note below)		X
4	Do you have a section 403(b) annuity plan for your employees?		X
Note: Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments.			

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions)

- The organization is not a private foundation because it is (Please check only **ONE** applicable box)
- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
 - 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)
 - 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
 - 8 A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
 - 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ► _____
 - 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A)
 - 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
 - 11b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
 - 12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
 - 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See page 5 of the instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety Section 509(a)(4) (See page 6 of the instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) **Use cash method of accounting**
 Note You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2000	(b) 1999	(c) 1998	(d) 1997	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	1,970.	126,090.	142,258.		270,318.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	1,570,210.	1,919,527.	1,672,574.		5,162,311.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	11,317.	7,391.	3,025.		21,733.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.	6,836.	1,302.	2,235.		10,373.
23 Total of lines 15 through 22	1,590,333.	2,054,310.	1,820,092.	0.	5,464,735.
24 Line 23 minus line 17	20,123.	134,783.	147,518.		302,424.
25 Enter 1% of line 23	15,903.	20,543.	18,201.		

26 Organizations described on lines 10 or 11	a Enter 2% of amount in column (e), line 24	▶ 26a	6,048.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1997 through 2000 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts.		▶ 26b	219,856.
c Total support for section 509(a)(1) test. Enter line 24, column (e).		▶ 26c	302,424.
d Add: Amounts from column (e) for lines 18 <u>21,733.</u> 19 <u> </u> 22 <u>10,373.</u> 26b <u>219,856.</u>		▶ 26d	251,962.
e Public support (line 26c minus line 26d total)		▶ 26e	50,462.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))		▶ 26f	16.6858%

27 Organizations described on line 12	a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: N/A	(2000)	(1999)	(1998)	(1997)
b For any amount included in line 17 that was received from each person (other than "disqualified persons") prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: N/A	(2000)	(1999)	(1998)	(1997)	
c Add: Amounts from column (e) for lines 15 <u> </u> 16 <u> </u> 17 <u> </u> 20 <u> </u> 21 <u> </u>		▶ 27c	N/A		
d Add: Line 27a total <u> </u> and line 27b total <u> </u>		▶ 27d	N/A		
e Public support (line 27c total minus line 27d total)		▶ 27e	N/A		
f Total support for section 509(a)(2) test. Enter amount on line 23, column (e) ▶ 27f <u> </u> N/A		▶ 27g	N/A %		
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))		▶ 27h	N/A %		
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					

28 Unusual Grants For an organization described in line 10, 11, or 12, that received any unusual grants during 1997 through 2000, prepare a list for your records to show, for each year: the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

NONE

NATIONAL INSTITUTE FOR DIRECT

Part V Private School Questionnaire (See page 7 of the instructions)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement)		
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty and administrative staff?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)		
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)		
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation		

NATIONAL INSTITUTE FOR DIRECT

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions)

(To be completed ONLY by an eligible organization that filed Form 5768)

Check **a** if the organization belongs to an affiliated group Check **b** if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations												
		N/A													
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)		0.												
37	Total lobbying expenditures to influence a legislative body (direct lobbying)		82,063.												
38	Total lobbying expenditures (add lines 36 and 37)		82,063.												
39	Other exempt purpose expenditures		1,030,301.												
40	Total exempt purpose expenditures (add lines 38 and 39)		1,112,364.												
41	Lobbying nontaxable amount Enter the amount from the following table -														
	<table border="0"> <tr> <td>If the amount on line 40 is -</td> <td>The lobbying nontaxable amount is -</td> </tr> <tr> <td>Not over \$500 000</td> <td>20% of the amount on line 40</td> </tr> <tr> <td>Over \$500,000 but not over \$1 000,000</td> <td>\$100 000 plus 15% of the excess over \$500 000</td> </tr> <tr> <td>Over \$1 000 000 but not over \$1,500 000</td> <td>\$175 000 plus 10% of the excess over \$1 000 000</td> </tr> <tr> <td>Over \$1 500 000 but not over \$17 000 000</td> <td>\$225 000 plus 5% of the excess over \$1 500 000</td> </tr> <tr> <td>Over \$17 000 000</td> <td>\$1 000 000</td> </tr> </table>	If the amount on line 40 is -	The lobbying nontaxable amount is -	Not over \$500 000	20% of the amount on line 40	Over \$500,000 but not over \$1 000,000	\$100 000 plus 15% of the excess over \$500 000	Over \$1 000 000 but not over \$1,500 000	\$175 000 plus 10% of the excess over \$1 000 000	Over \$1 500 000 but not over \$17 000 000	\$225 000 plus 5% of the excess over \$1 500 000	Over \$17 000 000	\$1 000 000		186,236.
If the amount on line 40 is -	The lobbying nontaxable amount is -														
Not over \$500 000	20% of the amount on line 40														
Over \$500,000 but not over \$1 000,000	\$100 000 plus 15% of the excess over \$500 000														
Over \$1 000 000 but not over \$1,500 000	\$175 000 plus 10% of the excess over \$1 000 000														
Over \$1 500 000 but not over \$17 000 000	\$225 000 plus 5% of the excess over \$1 500 000														
Over \$17 000 000	\$1 000 000														
42	Grassroots nontaxable amount (enter 25% of line 41)		46,559.												
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36		0.												
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38		0.												

Caution If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
45	186,236.	207,676.			393,912.
46					590,868.
47	82,063.	31,410.			113,473.
48	46,559.	51,919.			98,478.
49					147,717.
50			0.		0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 12 of the instructions)

N/A

During the year did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	Yes	No	Amount
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (Add lines c through h)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations (See page 12 of the instructions.)

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

- a Transfers from the reporting organization to a noncharitable exempt organization of (i) Cash (ii) Other assets b Other transactions (i) Sales or exchanges of assets with a noncharitable exempt organization (ii) Purchases of assets from a noncharitable exempt organization (iii) Rental of facilities, equipment, or other assets (iv) Reimbursement arrangements (v) Loans or loan guarantees (vi) Performance of services or membership or fundraising solicitations c Sharing of facilities, equipment, mailing lists, other assets, or paid employees

Table with 3 columns: Question, Yes, No. Rows include 51a(i), a(ii), b(i), b(ii), b(iii), b(iv), b(v), b(vi), and c.

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

N/A

Table with 4 columns: (a) Line no, (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements.

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

Yes No (X) No

b If "Yes," complete the following schedule N/A

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship.

Schedule B

(Form 990, 990-EZ, or 990-PF)

Department of the Treasury
Internal Revenue Service**Schedule of Contributors**Supplementary Information for
line 1 of Form 990, 990-EZ and 990-PF (see instructions)

OMB No 1545-0047

2001

Name of organization

NATIONAL INSTITUTE FOR DIRECT
INSTRUCTION

Employer identification number

93-1241440

Organization type (check one)

Filers of:

Section

Form 990 or 990 EZ

 501(c)(3) (enter number) organization 4947(a)(1) nonexempt charitable trust not treated as a private foundation 527 political organization

Form 990-PF

 501(c)(3) exempt private foundation 4947(a)(1) nonexempt charitable trust treated as a private foundation 501(c)(3) taxable private foundation

Check if your organization is covered by the **General rule** or a **Special rule** (Note Only a section 501(c)(7), (8), or (10) organization can check box(es) for both the General rule and a Special rule-see instructions)

General Rule-

- For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor (Complete Parts I and II)

Special Rules-

- For a section 501(c)(3) organization filing Form 990, or Form 990 EZ, that met the 33 1/3% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms (Complete Parts I and II)
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990 EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (Complete Parts I, II, and III)
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc , purposes, but these contributions did not aggregate to more than \$1,000 (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc , purpose Do not complete any of the Parts unless the General rule applies to this organization because it received nonexclusively religious, charitable, etc , contributions of \$5,000 or more during the year) ▶ \$ _____

Caution Organizations that are not covered by the General rule and/or the Special rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they must check the box in the heading of their Form 990, Form 990-EZ, or on line 1 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

Schedule B (Form 990, 990-EZ, or 990-PF) (2001)

Name of organization NATIONAL INSTITUTE FOR DIRECT INSTRUCTION	Employer identification number 93-1241440
--	---

Part I Contributors (See Specific Instructions)

(a) No	(b) Name, address and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1		\$ 100,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)

FORM 990	OTHER CHANGES IN NET ASSETS OR FUND BALANCES	STATEMENT	1
DESCRIPTION		AMOUNT	
CORRECTION OF ACCOUNTS REC'L BALANCE		48,750.	
TOTAL TO FORM 990, PART I, LINE 20		48,750.	

FORM 990	OTHER EXPENSES			STATEMENT	2
DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING	
PROJECT DIRECTOR EXPENSE	18,816.	18,816.			
CONSULTING FEES ADMINISTRATION EXPENSE	685,114.	685,114.			
BANK CHARGES	264.		264.		
PHOTOCOPIES	19,371.		19,371.		
PROFESSIONAL FEES	111,337.	3,586.	107,751.		
DUES & SUBSCRIPTIONS FEES	30.		30.		
	20.		20.		
MISCELLANEOUS	1,745.		1,745.		
INSURANCE	3,663.		3,663.		
CONFERENCES	6,801.		6,801.		
CLERICAL EXPENSE	6,840.		6,840.		
EXCISE TAXES	1,460.		1,460.		
TOTAL TO FM 990, LN 43	871,013.	707,516.	163,497.		

SCHEDULE A	OTHER INCOME				STATEMENT	3
DESCRIPTION	2000 AMOUNT	1999 AMOUNT	1998 AMOUNT	1997 AMOUNT		
MISCELLANEOUS	6,836.	1,302.	2,235.	0.		
TOTAL TO SCHEDULE A, LINE 22	6,836.	1,302.	2,235.	0.		

Depreciation and Amortization
(Including Information on Listed Property) **990**

▶ See separate instructions ▶ Attach to your tax return

Name(s) shown on return NATIONAL INSTITUTE FOR DIRECT INSTRUCTION	Business or activity to which this form relates FORM 990 PAGE 2	Identifying number 93-1241440
---	---	---

Part I Election To Expense Certain Tangible Property Under Section 179 Note If you have any listed property, complete Part V before you complete Part I

1 Maximum amount See instructions for a higher limit for certain businesses	1	24,000.
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation	3	\$200,000
4 Reduction in limitation Subtract line 3 from line 2. If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1. If zero or less, enter -0- If married filing separately, see instructions	5	

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost

7 Listed property Enter amount from line 29	7	
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction Enter the smaller of line 5 or line 8	9	
10 Carryover of disallowed deduction from line 13 of your 2000 Form 4562	10	
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5	11	
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13 Carryover of disallowed deduction to 2002 Add lines 9 and 10, less line 12	13	

Note Do not use Part II or Part III below for listed property. Instead, use Part V

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property)

14 Special depreciation allowance for certain property (other than listed property) acquired after September 10, 2001 (see instructions)	14	
15 Property subject to section 168(f)(1) election (see instructions)	15	
16 Other depreciation (including ACRS) (see instructions)	16	

Part III MACRS Depreciation (Do not include listed property) (See instructions)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2001	17	
18 If you are electing under section 168(f)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2001 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3 year property						
b 5-year property						
c 7 year property						
d 10-year property						
e 15 year property						
f 20-year property						
g 25 year property			25 yrs		S/L	
h Residential rental property	/		27 5 yrs	MM	S/L	
	/		27 5 yrs	MM	S/L	
i Nonresidential real property	/		39 yrs	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2001 Tax Year Using the Alternative Depreciation System

20a Class life					S/L
b 12-year			12 yrs		S/L
c 40-year	/		40 yrs	MM	S/L

Part IV Summary (See instructions)

21 Listed property Enter amount from line 28	21	
22 Total Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations - see instr	22	0.
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement)
Note For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable

Section A - Depreciation and Other Information (Caution See instructions for limits for passenger automobiles)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for listed property acquired after September 10, 2001, and used more than 50% in a qualified business use							25	
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L		
		%				S/L		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1								29

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
 If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? Note If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2001 tax year					
43 Amortization of costs that began before your 2001 tax year				43	225.
44 Total Add amounts in column (f) See instructions for where to report				44	225.

NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

INDEPENDENT AUDITORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2002

NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

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FINANCIAL STATEMENTS	
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Statement of activities	3
Statement of cash flows	4
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Institute for Direct Instruction

We have audited the accompanying statement of financial position of National Institute for Direct Instruction (a nonprofit organization) as of July 31, 2002. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit 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 statement of financial position is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

This was our first audit of the Organization's statement of financial position, and, in accordance with management's instruction, we did not extend our auditing procedures to enable us to express, and we do not express, an opinion on the consistency of application of accounting principles with the preceding year. Because we were not engaged to audit the statements of activities and cash flows, we did not extend our auditing procedures to enable us to express an opinion on the statements of activities and cash flows for the year ended July 31, 2002. Accordingly, we express no opinion on them.

In our opinion, the statement of financial position referred to above presents fairly, in all material respects, the financial position of National Institute for Direct Instruction as of July 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

Kernutt Stokes Brandt & Co LLP

Eugene, Oregon
September 11, 2002

NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

Statement of Financial Position

July 31, 2002

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,270,611
Contracts receivable	66,500
Other receivables	3,381
Prepaid expenses	29,158

Total current assets	1,369,650
----------------------	-----------

ORGANIZATIONAL COSTS, net of accumulated amortization	432
---	-----

Total	\$ 1,370,082
-------	--------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 30,423
Accrued liabilities	8,985

Total current liabilities	39,408
---------------------------	--------

UNEARNED REVENUE	9,563
------------------	-------

UNRESTRICTED NET ASSETS	1,321,111
-------------------------	-----------

Total	\$ 1,370,082
-------	--------------

See accompanying notes

NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

Statement of Activities

Year Ended July 31, 2002 (Unaudited)

CHANGES IN UNRESTRICTED NET ASSETS

REVENUES AND GAINS

Program service fees	\$ 1,144,605
Contributions	100,000
Interest and other income	17,272

Total unrestricted revenues and gains	1,261,877
---------------------------------------	-----------

EXPENSES

Program service expenses	637,357
Management and general	475,006

Total expenses	1,112,363
----------------	-----------

INCREASE IN UNRESTRICTED NET ASSETS	149,514
-------------------------------------	---------

UNRESTRICTED NET ASSETS, beginning of year	1,171,597
--	-----------

UNRESTRICTED NET ASSETS, end of year	\$ 1,321,111
--------------------------------------	--------------

See accompanying notes

NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

Statement of Cash Flows

Change in Cash

Year Ended July 31, 2002 (Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from service recipients	\$ 1,427,207
Cash received from contributors	100,000
Cash paid to contractors and employees	(1,118,637)
Interest received	14,022
Other income	3,250
Total cash provided by operating activities	425,842
<hr/>	
NET INCREASE IN CASH AND CASH EQUIVALENTS	425,842
CASH AND CASH EQUIVALENTS, beginning of year	844,769
<hr/>	
CASH AND CASH EQUIVALENTS, end of year	\$ 1,270,611
<hr/>	
Reconciliation of Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities	
INCREASE IN UNRESTRICTED NET ASSETS	\$ 149,514
ADJUSTMENTS TO RECONCILE CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Amortization	225
Decrease in receivables	273,039
Increase in prepaid expenses	(29,158)
Increase in accounts payable	21,903
Increase in accrued expenses	756
Increase in unearned revenue	9,563
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 425,842

See accompanying notes

NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations The National Institute for Direct Instruction (NIFDI) is an independent corporation whose purpose is to engage exclusively in charitable, educational, and scientific activities including the promotion and lobbying of educational issues and the making of distributions to organizations that qualify as exempt organizations under §501(c)(3) of the Internal Revenue Code and to provide schools and educational districts throughout the United States and Canada with a solid training program and direct instruction methodology for teachers and aides. The process of training the schools and educational districts is outsourced to third party consultants. NIFDI has its principal office located in Eugene, Oregon.

Cash Equivalents NIFDI considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At July 31, 2002, NIFDI had \$810,255 in certificates of deposit that were included in cash and cash equivalents.

NIFDI maintains its cash and certificates of deposit in bank accounts which at times may exceed federally insured limits. NIFDI has not experienced any losses in such accounts. NIFDI believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contracts Receivable NIFDI receivable balances are amounts due for implementation of direct instruction contracts and have no collateral. NIFDI considers all amounts to be collectible, thus no allowance for uncollectible accounts has been established.

Program Service Fees. Program service fees are unrestricted revenues from school districts from contracts for implementation of direct instruction. Revenue from these contracts is recognized as the services are performed. The contracts are generally of one year length, and generally terminate at the end of the school year, June 30.

Income Taxes NIFDI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related state statutes.

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 and expenses during the reporting period. Actual results could differ from those estimates.

NATIONAL INSTITUTE FOR DIRECT INSTRUCTION

Notes to Financial Statements

2. Unearned Revenue

As of July 31, 2002, NIFDI had received \$9,563 related to services not yet rendered as a sub-contractor on a contract that extended past July 31, 2002

3. Program Service Fees

Unrestricted program service fees for the year ended July 31 consisted of the following

	2002
Baltimore	\$ 204,000
Bethel	14,010
Chester	120,000
Detroit	177,000
Hawaii	106,725
La Pine	37,537
Lynnwood	260,000
New Horizon	3,187
Prince George	65,000
Virginia	157,146
Total	\$ 1,144,605

4. Related Parties

NIFDI rents office space on a month-to-month basis and shares administrative staff with entities owned by the founder and member of the Board. NIFDI was charged \$70,454 for rent and support services for the year ending July 31, 2002, of which \$19,274 remained unpaid at year end and is included in accounts payable.

NIFDI receives training services from an entity owned by the founder and member of the Board. NIFDI was charged \$3,148 for training services for the year ending July 31, 2002, of which \$1,093 remained unpaid at year end and is included in accounts payable.

NIFDI received \$100,000 from a foundation established by the founder and member of the Board.

A major producer of direct instruction materials is owned by the family of the founder and member of the Board.