

Return of Organization Exempt From Income Tax

2001

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

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

A For the 2001 calendar year, OR tax year beginning Oct 1, 2001 **, and ending** Sept 30, 2002

- B** Check if applicable:
- Address change
 - Name change
 - Initial return
 - Final return
 - Amended return
 - Application pending

C Name of organization
Education Development Center Inc

D Employer identification number
04-2241718

E Telephone number
(617) 969-7100

F Accounting method Cash Accrual
 Other (specify)

G Web site

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates

H(c) Are all affiliates included? Yes No
(If "No," attach a list. See Instructions.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Enter 4-digit GEN

M Check If the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)

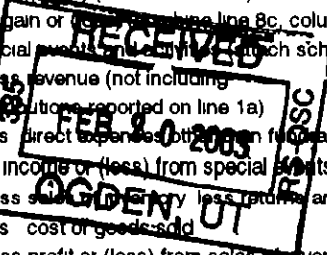
J Organization type (check only one) 501(c) (3) (insert no) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 79,211,462

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 16)

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"> FILMED REV UE 03 </p>	1	Contributions, gifts, grants, and similar amounts received					
	a	Direct public support	1a	19,111,560			
	b	Indirect public support	1b				
	c	Government contributions (grants)	1c	59,423,111			
	d	Total (add lines 1a through 1c) (cash \$ _____ noncash \$ _____)	1d			78,534,671	
	2	Program service revenue including government fees and contracts (from Part VII line 93)	2			455,633	
	3	Membership dues and assessments	3				
	4	Interest on savings and temporary cash investments	4			221,158	
	5	Dividends and interest from securities	5				
	6a	Gross rents	6a				
	b	Less rental expenses	6b				
	c	Net rental income or (loss) (subtract line 6b from line 6a)	6c			0	
7	Other investment income (describe _____)	7					
8a	Gross amount from sales of assets other than inventory	(A) Securities	8a		(B) Other		
b	Less cost or other basis and sales expenses	8b					
c	Gain or (loss) (attach schedule)	8c	0		0		
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8d			0		
9	Special events revenue (attach schedule)						
a	Gross revenue (not including contributions reported on line 1a)	9a					
b	Less direct expenses (but not fundraising expenses)	9b					
c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c			0		
10a	Gross sales or other receipts less returns and allowances	10a					
b	Less cost of goods sold	10b					
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			0		
11	Other revenue (from Part VII line 103)	11					
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12			79,211,462		
<p>Expenses</p>	13	Program services (from line 44 column (B))	13			62,495,127	
	14	Management and general (from line 44 column (C))	14			15,900,637	
	15	Fundraising (from line 44 column (D))	15			0	
	16	Payments to affiliates (attach schedule)	16				
17	Total expenses (add lines 16 and 44, column (A))	17			78,395,764		
<p>Net Assets</p>	18	Excess or (deficit) for the year (subtract line 17 from line 12)	18			815,698	
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19			2,540,633	
	20	Other changes in net assets or fund balances (attach explanation)	20				
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21			3,356,331	



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. (See Specific Instructions on page 21.)

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 \$ _____)	0	0		
23 Specific assistance to individuals (attach schedule)	0	0		
24 Benefits paid to or for members (attach schedule)	0	0		
25 Compensation of officers directors etc	2,059,285	460,543	1,598,742	
26 Other salaries and wages	29,321,837	23,292,160	6,029,677	
27 Pension plan contributions	2,763,000	2,075,440	687,560	
28 Other employee benefits	2,418,923	1,833,705	585,218	
29 Payroll taxes	2,000,529	1,502,706	497,823	
30 Professional fundraising fees	0	0	0	
31 Accounting fees	87,663	0	87,663	
32 Legal fees	107,899	2,465	105,434	
33 Supplies	1,186,201	848,306	337,895	
34 Telephone	895,010	708,895	186,115	
35 Postage and shipping	432,903	322,064	110,839	
36 Occupancy	6,236,634	4,628,575	1,608,059	
37 Equipment rental and maintenance	1,336,887	942,695	394,192	
38 Printing and publications	1,775,026	1,537,961	237,065	
39 Travel	5,072,182	4,504,437	567,745	
40 Conferences, conventions, and meetings	2,221,566	1,984,038	237,528	
41 Interest	0	0	0	
42 Depreciation depletion, etc (attach schedule)	386,308	118,621	267,687	
43 Other expenses not covered above (Itemize) a Subcontracts	13,383,128	13,382,354	774	
b Consultants, Professional, Temporary Services	5,237,555	3,428,219	1,809,336	
c Insurance	270,311	82,732	187,579	
d Vehicle and Transportation	206,637	203,675	2,962	
e Editing, Design, & Media Production	798,178	551,017	247,161	
f All Other	198,102	84,519	113,583	
44 Total functional expenses (add lines 22 through 43) Organizations completing columns (B) - (D) carry these totals to lines 13 - 15	78,395,764	62,495,127	15,900,637	0

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

(See Specific Instructions on page 24.)

What is the organization's primary exempt purpose? _____

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.)

Program Service Expenses
(Required for 501(c)(3) and (4) orgs and 4947(a)(1) trusts but optional for others.)

a Conducting research, trainings, and producing reports or products to fulfill requirements of various funders which in fiscal year 2002 amounted to more than 350 programs	(Grants and allocations \$ _____)	62,495,127
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)		62,495,127

Part IV Balance Sheets

(See Specific Instructions on page 24)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only		(A) Beginning of year		(B) End of year
Assets				
45	Cash - non-interest-bearing	1,889,547	45	2,229,722
46	Savings and temporary cash investments	6,401,967	46	4,465,037
47a	Accounts receivable	5,845,459		
b	Less allowance for doubtful accounts	255,000	47c	5,590,459
48a	Pledges receivable			
b	Less allowance for doubtful accounts		48c	0
49	Grants receivable		49	
50	Receivables from officers, directors, trustees, and key employees (attach schedule)		50	
51a	Other notes and loans receivable (attach schedule)			
b	Less allowance for doubtful accounts		51c	0
52	Inventories for sale or use		52	
53	Prepaid expenses and deferred charges	568,871	53	488,884
54	Investments - securities (attach schedule) <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54	
55a	Investments - land, buildings, and equipment basis			
b	Less accumulated depreciation (attach schedule)		55c	0
56	Investments - other (attach schedule)	0	56	0
57a	Land, buildings, and equipment basis	1,977,421		
b	Less accumulated depreciation (attach schedule)	757,362	57c	1,220,059
58	Other assets (describe <u>Unbilled costs on grants and contracts, Development</u>)	7,573,650	58	5,107,626
59	Total assets (add lines 45 through 58) (must equal line 74)	21,666,792	59	19,101,787
Liabilities				
60	Accounts payable and accrued expenses	5,653,003	60	3,998,639
61	Grants payable		61	
62	Deferred revenue	13,473,156	62	11,746,817
63	Loans from officers, directors, trustees, and key employees (attach schedule)		63	
64a	Tax-exempt bond liabilities (attach schedule)		64a	
b	Mortgages and other notes payable (attach schedule)		64b	
65	Other liabilities (describe _____)	0	65	0
66	Total liabilities (add lines 60 through 65)	19,126,159	66	15,745,456
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	2,540,633	67	3,356,331
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)	2,540,633	73	3,356,331
74	Total liabilities and net assets/fund balances (add lines 66 and 73)	21,666,792	74	19,101,787

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.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return
(See Specific Instructions, page 26.)

a Total revenue, gains, and other support per audited financial statements	a	79,211,462
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) thru (4)	b	0
c Line a minus line b	c	79,211,462
d Amounts included on line 12 Form 990 but not on line a		
(1) Investment expenses not included on line 8b, 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	79,211,462

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

a Total expenses and losses per audited financial statements	a	78,395,764
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) thru (4)	b	0
c Line a minus line b	c	78,395,764
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	78,395,764

Part V List of Officers, Directors, Trustees, and Key Employees

(List each one even if not compensated, see Specific Instructions on page 26.)

(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
Janet Whittle	President 40 hours	294,031	49,703	Reimbursed
Robert Rotner	Senior Vice President 40 hours	192,827	32,595	For All Actual
Vivian Guilfoy	Senior Vice President 40 hours	140,907	23,819	Expenses
Cheryl Vince-Whitman	Senior Vice President 40 hours	190,643	32,226	
Nancy Ames	Vice President 40 hours	141,048	23,843	
Joanne Brady	Vice President 40 hours	121,905	20,607	
Wayne Harvey	Vice President 40 hours	144,270	24,387	
Margaret Honey	Vice President 40 hours	125,096	21,146	
Ronald Israel	Vice President 40 hours	134,021	22,655	
Please see additional list attached				

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?

Yes

No

If "Yes," attach schedule - see Specific Instructions on page 27

Part VI Other Information

(See Specific Instructions on page 27.)

Yes or 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	No
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	No
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	No
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	No
80a	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	No
b	If "Yes," enter the name of the organization _____ and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt		
81a	Enter direct or indirect political expenditures. See line 81 instructions	81a	
b	Did the organization file Form 1120-POL for this year?	81b	No
82a	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	No
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	
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	Yes
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	Yes
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?	85a	No
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.	85b	No
c	Dues, assessments, and similar amounts from members	85c	
d	Section 162(e) lobbying and political expenditures	85d	
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	0
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	No
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	No
86	501(c)(7) orgs. Enter a Initiation fees and capital contributions included on line 12	86a	
b	Gross receipts included on line 12 for public use of club facilities	86b	
87	501(c)(12) orgs. Enter a Gross income from members or shareholders	87a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b	
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	No
89a	501(c)(3) organizations. Enter Amount of tax imposed on the organization during the year under section 4911 _____, section 4912 _____, section 4955 _____		
b	501(c)(3) and 501(c)(4) orgs. 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	No
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		
d	Enter Amount of tax on line 89c, above, reimbursed by the organization		
90a	List the states with which a copy of this return is filed <u>Massachusetts</u>		
b	Number of employees employed in the pay period that includes March 12, 2001 (See instructions.)	90b	533
91	The books are in care of <u>Kathy Pratt - Director of Finance</u> Telephone no <u>(617) 969-7100</u> Located at <u>55 Chapel Street, Newton, MA</u> ZIP + 4 <u>02458-1060</u>		
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	

Part VII Analysis of Income-Producing Activities

(See Specific Instructions on page 32)

Note	Enter gross amounts unless otherwise indicated	Unrelated business income		Excluded by section 512, 513, or 514		(E)
		(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	Related or exempt function income
93	Program service revenue					
a	Royalties			15	455,633	
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	221,158	
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					
b						
c						
d						
e						
104	Subtotal (add cols (B), (D), and (E))		0		676,791	0
105	Total (add line 104 columns (B), (D), and (E))					676,791

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)

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
	%			
	%			
	%			
	%			

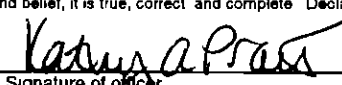
Part X Information Regarding Transfers Associated with Personal Benefit Contracts

(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

Note If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Please Sign Here	Under penalties of perjury I declare that I have examined this return and belief, it is true, correct and complete Declaration of preparer
	Signature of officer  Kathy Pratt Director of Finance Type or print name and title
Paid Preparer's Use Only	Preparer's signature
	Firm's name (or yours if self employed) address and ZIP + 4 Education Develop 55 Chapel Street, N

**SCHEDULE A
(Form 990 or 990-EZ)**

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

OMB No 1545-0047

2001

Supplementary Information - (See separate instructions)

Department of the Treasury
Internal Revenue Service

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

Name of the organization
Education Development Center Inc

Employer identification number
04-2241718

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
Robert Spielvogel Chief Technology Officer	40 hours	109,135	18,448	Reimbursed For
Judith Sandler Center Director	40 hours	106,567	18,014	Actual Expenses
Lloyd Potter Deputy Center Director	40 hours	103,190	17,443	
Judith Zorfass Managing Project Director	40 hours	102,212	17,278	
Marian Schwarz Center Director	40 hours	101,484	17,155	
Total number of other employees paid over \$50,000	253			

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
SLK Software Services LTD	Software Consulting	356,692
Ten two seven six Ventures	Financial Consulting	140,154
Software Consulting Alliance	Software Consulting	118,270
William DeJong	Educational Research	59,400
Sheryl Pinnelli	Educational Research	52,550
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 \$ _____ (Must equal amounts on line 38, Part VI-A, or line 1 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	1	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?	2a	X
b Lending of money or other extension of credit?	2b	X
c Furnishing of goods, services, or facilities?	2c	X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d	X
e Transfer of any part of its income or assets?	2e	X
3 Does the organization make grants for scholarships, fellowships, student loans, etc ? (See Note below)	3	X
4 Do you have a section 403(b) annuity plan for your employees?	4	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)	66,496,342	61,094,497	51,273,429	44,124,343	222,988,611
16 Membership fees received					0
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	594,975	456,328	306,065	135,142	1,492,510
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					0
19 Net income from unrelated business activities not included in line 18					0
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0
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					0
22 Other income Attach a schedule Do not include gain or (loss) from sale of capital assets					0
23 Total of lines 15 through 22	67,091,317	61,550,825	51,579,494	44,259,485	224,481,121
24 Line 23 minus line 17	66,496,342	61,094,497	51,273,429	44,124,343	222,988,611
25 Enter 1% of line 23	670,913	615,508	515,795	442,595	
26 Organizations described on lines 10 or 11:					
a Enter 2% of amount in column (e), line 24					26a 4,459,772
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
c Total support for section 509(a)(1) test Enter line 24, column (e)					26c 222,988,611
d Add Amounts from column (e) for lines	18	0	19	0	
	22	0	26b	0	
e Public support (line 26c minus line 26d total)					26d 0
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26e 222,988,611
					26f 100.00%
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	(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	(2000)	(1999)	(1998)	(1997)	
c Add Amounts from column (e) for lines	15	0	16	0	
	17	0	20	0	
d Add Line 27a total	0		and line 27b total	0	
e Public support (line 27c total minus line 27d total)					27c 0
f Total support for section 509(a)(2) test Enter amount from line 23, column (e)					27d 0
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27e 0
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27f 0
					27g 0.00%
					27h 0.00%
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					

Part V Private School Questionnaire (See page 7 of the instructions)
(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)		
34a 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		

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
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38 0	0
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40 0	0
41 Lobbying nontaxable amount Enter the amount from the following table - If the amount on line 40 is - Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,500,000 Over \$1,500,000 but not over \$17,000,000 Over \$17,000,000	The lobbying nontaxable amount is - 20% of the amount on line 40 \$100,000 plus 15% of the excess over \$500,000 \$175,000 plus 10% of the excess over \$1,000,000 \$225,000 plus 5% of the excess over \$1,500,000 \$1,000,000	41 0 0
42 Grassroots nontaxable amount (enter 25% of line 41)	42 0	0
43 Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43 0	0
44 Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44 0	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 Lobbying nontaxable amount					0
46 Lobbying ceiling amount (150% of line 45(e))					0
47 Total lobbying expenditures					0
48 Grassroots nontaxable amount					0
49 Grassroots ceiling amount (150% of line 48(e))					0
50 Grassroots lobbying expenditures					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)

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

- 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)

Yes	No	Amount
		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

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.

Table with columns Yes/No and rows for 51a(i), a(ii), b(i), b(ii), b(iii), b(iv), b(v), b(vi), and c.

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

52a 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 checkboxes.

b If "Yes," complete the following schedule

Schedule table with columns (a) Name of organization, (b) Type of organization, (c) Description of relationship.

Financial Statements, Supplemental Schedule of Expenditures of Federal Awards
and Report of Independent Certified Public Accountants
Education Development Center, Inc.
September 30, 2002 and 2001

EDUCATION DEVELOPMENT CENTER, INC.

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September 30, 2002 and 2001

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Report of Independent Certified Public Accountants on Financial Statements
and Supplementary Schedule of Expenditures of Federal Awards

Board of Trustees
Education Development Center, Inc

We have audited the accompanying statements of financial position of Education Development Center, Inc , (the "Center") as of September 30, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 the 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 Education Development Center, Inc as of September 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2002, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Education Development Center, Inc taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

Grant Thornton LLP

Boston, Massachusetts

December 20, 2002

EDUCATION DEVELOPMENT CENTER, INC.

Statements of Financial Position

September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,229,722	\$ 1,889,547
Short-term investments (note B)	4,465,037	6,401,967
Accounts receivable electronically drawable via federal payment management system	1,607,194	1,801,804
Accounts receivable, less allowance for doubtful accounts of \$255,000 in 2002 and \$70,000 in 2001	5,590,459	4,839,205
Unbilled costs on grants and contracts	2,485,279	4,839,274
Prepaid expenses and advances	<u>488,884</u>	<u>568,871</u>
Total current assets	16,866,575	20,340,668
EQUIPMENT AND IMPROVEMENTS - AT COST		
Equipment and furniture	840,893	810,517
Leasehold improvements	<u>1,136,528</u>	<u>1,553,083</u>
	1,977,421	2,363,600
Less accumulated depreciation and amortization	<u>757,362</u>	<u>1,970,048</u>
	1,220,059	393,552
OTHER ASSETS - net	<u>1,015,153</u>	<u>932,572</u>
TOTAL ASSETS	<u>\$19,101,787</u>	<u>\$21,666,792</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,295,768	\$ 2,236,764
Accrued expenses	1,702,871	3,416,239
Advances on grants and contracts, principally from private sources, current portion	<u>6,701,656</u>	<u>8,679,713</u>
Total current liabilities	10,700,295	14,332,716
ADVANCES ON GRANTS AND CONTRACTS, principally from private sources, long-term portion	<u>5,045,161</u>	<u>4,793,443</u>
Total liabilities	15,745,456	19,126,159
COMMITMENTS AND CONTINGENCIES (note D)		
NET ASSETS - Unrestricted	<u>3,356,331</u>	<u>2,540,633</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$19,101,787</u>	<u>\$21,666,792</u>

The accompanying notes are an integral part of the financial statements

EDUCATION DEVELOPMENT CENTER, INC.
Statements of Activities
Years ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
REVENUES, GAINS AND OTHER SUPPORT		
Grants and contracts revenue (note C)	\$78,534,671	\$66,496,342
Royalties and program fees	455,633	392,115
Interest income	<u>221,158</u>	<u>202,860</u>
Total revenues, gains and other support	79,211,462	67,091,317
EXPENSES		
Program direct costs.		
Salaries and employee benefits	29,164,554	25,647,328
Materials and supplies	12,352,352	7,915,431
Travel	3,564,865	4,436,103
Professional services	4,031,002	3,678,293
Subcontracts	<u>13,382,354</u>	<u>11,322,983</u>
	62,495,127	53,000,138
Program indirect costs		
Salaries and employee benefits	9,399,020	8,869,469
Materials and supplies	3,661,550	2,903,118
Travel	567,745	510,488
Professional services	2,271,548	1,621,950
Subcontracts	<u>774</u>	<u>7,500</u>
	<u>15,900,637</u>	<u>13,912,525</u>
Total expenses	<u>78,395,764</u>	<u>66,912,663</u>
CHANGE IN UNRESTRICTED NET ASSETS	815,698	178,654
Net assets at beginning of year	<u>2,540,633</u>	<u>2,361,979</u>
Net assets at end of year	<u>\$ 3,356,331</u>	<u>\$ 2,540,633</u>

The accompanying notes are an integral part of the financial statements

EDUCATION DEVELOPMENT CENTER, INC.

Statements of Cash Flows

Years ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 815,698	\$ 178,654
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	556,432	755,802
(Increase) decrease in assets		
Accounts receivable electronically drawable via Federal payment system	194,610	(84,726)
Accounts receivable	(751,254)	242,917
Unbilled costs on grants and contracts	2,353,995	(573,047)
Prepaid expenses and advances	79,987	(339,546)
Other assets	(298,616)	(111,863)
Increase (decrease) in liabilities		
Accounts payable	59,004	(70,962)
Accrued expenses	(1,713,368)	161,588
Advances on grants and contracts, principally from private sources	(1,726,339)	4,588,267
Net cash (used in) provided by operating activities	<u>(429,851)</u>	<u>4,747,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,598,523)	(133,407)
Cash received from landlord to fund leasehold improvements	<u>431,619</u>	<u>197,700</u>
Net cash (used in) provided by investing activities	<u>(1,166,904)</u>	<u>64,293</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of short-term investments	(242,890)	(6,983,380)
Sales and maturities of short-term investments	<u>2,179,820</u>	<u>3,008,900</u>
Net cash provided by (used in) financing activities	<u>1,936,930</u>	<u>(3,974,480)</u>
Net increase in cash	340,175	836,897
Cash at beginning of year	<u>1,889,547</u>	<u>1,052,650</u>
Cash at end of year	<u>\$2,229,722</u>	<u>\$1,889,547</u>

The accompanying notes are an integral part of the financial statements

EDUCATION DEVELOPMENT CENTER, INC.

Notes to Financial Statements

September 30, 2002 and 2001

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Education Development Center, Inc. (the "Center") is a publicly supported, tax-exempt organization engaged in promoting human development through education. The Center brings together research and practice to meet today's and tomorrow's challenges in education, health, technology, human rights, and the environment. The Center's major sources of revenue are the Federal Government and private sources.

The Center has obtained its most recent determination letter dated September 9, 1975 from the Internal Revenue Service stating that the Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting.

The Center's net assets are unrestricted, and accordingly, all of the net assets are available to accomplish any of the Center's objectives without restriction. Should contributions be received which carry restrictions, such amounts would be classified as temporarily restricted or permanently restricted based on the donor imposed conditions.

Cash

Included in cash and cash equivalents is an overnight interest-bearing sweep account. The Center's policy is to invest cash in excess of operating requirements into this account.

Short-Term Investments

Included in short-term investments are investments with maturities of less than one year or for which the Center has an intention to liquidate within one year.

Equipment and Improvements

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight line method. Leasehold improvements are amortized over the lives of the respective leases. Depreciation and amortization expense totaled \$556,432 and \$755,802 for the years ending September 30, 2002 and 2001, respectively.

EDUCATION DEVELOPMENT CENTER, INC.
Notes to Financial Statements - Continued
September 30, 2002 and 2001

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- Continued

• **Other Assets**

Other assets consist of security deposits on leases and capitalized costs for the ATLAS project that are amortized on a straight-line basis over the life of the asset

Grants and Contracts

The Center recognizes revenue on grants and contracts as follows.

Cost Reimbursement - revenue associated with the majority of grants and contracts is recognized as related costs are incurred

Fixed Price – revenue on contracts where there is no budgeted profit is recognized as related costs are incurred. Revenue on contracts where there is a budgeted profit is recognized based on a percentage of contract costs incurred to date compared with total estimated contract costs. Losses are realized in full at such time it is determined that cost to complete the project will exceed revenues

Percentage of Completion - revenue, mainly associated with the ATLAS project, is recognized based on contractual obligations incurred to date compared with total estimated contractual obligations. Any anticipated losses on percentage of completion grants and contracts will be recognized in the period they are identified

The Center has recorded reimbursement of indirect costs relating to grants and contracts at provisional billing rates. The booked income generated by the provisional rates is adjusted at the close of each fiscal year to reflect any variance between the provisional rates and rates based on actual cost. The actual cost rate is audited by the Government after the fact and a final fixed rate agreement is arrived at via this process. Historically the actual final rates and the Center's estimated final rates have not been significantly different from each other. Accordingly, no provision has been made in the financial statements relative to possible disallowances relative to open years. The fiscal year ended September 30, 2002 is the Center's only open indirect cost rate year. Program indirect costs represent costs for activities that are not identifiable to a single program, and accordingly, represent management and general expenditures

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- Continued

Receivables

Accounts receivable represents amounts due to the Center from federal, state and private sources that have been invoiced but not collected at September 30, 2002. Unbilled costs on grants and contracts represent amounts due to the Center from federal, state and private sources that have not been invoiced at September 30, 2002. Generally, these costs are billed monthly in accordance with the terms of the contract.

Certain federal sources make payment to the Center for expenses incurred on grants and contracts using a letter of credit. The Center draws funds from the federal letter of credit weekly based upon incurred expenses. Accounts receivable electronically drawable via federal payment management system represents amounts due to the Center from federal sources, generally for expenditures of the prior week, that have not been drawn down from the letter of credit at September 30, 2002.

Concentration of Credit Risk

Financial instruments which potentially subject the Center to credit risk consist principally of accounts receivable and unbilled costs on grants and contracts. Credit risk with receivables and unbilled costs on grants and contracts is concentrated among federal agencies. At September 30, 2002, accounts receivable and unbilled costs on grants and contracts from the U.S. Government were approximately \$7,361,690.

The Center maintains cash balances at several financial institutions worldwide, of which a significant portion is not federally insured. The Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2001 financial statements to conform with current year presentation.

EDUCATION DEVELOPMENT CENTER, INC.
Notes to Financial Statements - Continued
September 30, 2002 and 2001

NOTE B - SHORT-TERM INVESTMENTS

The market value of investments was as follows at September 30

	<u>2002</u>	<u>2001</u>
Equity securities	\$ 71,600	\$ 68,800
U.S. Government obligations	1,458,655	1,927,426
Money market funds	723,300	1,895,630
Mutual funds	193,586	206,383
Corporate bonds	<u>2,017,896</u>	<u>2,303,728</u>
	<u>\$4,465,037</u>	<u>\$6,401,967</u>

NOTE C - GRANTS AND CONTRACTS REVENUE

The Center's revenue from grants and contracts was provided by the following funding sources as of September 30

	<u>2002</u>	<u>2001</u>
Federal government	\$58,883,228	\$48,390,917
State government	539,883	390,016
Private and city/local sources	<u>19,111,560</u>	<u>17,715,409</u>
	<u>\$78,534,671</u>	<u>\$66,496,342</u>

NOTE D - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Center leases office facilities, telecommunications and other equipment under operating lease arrangements which expire through 2012. The overwhelming majority of the lease commitments relate to the Center's headquarters located in Newton, Massachusetts and generally provides for additional rentals for taxes and utilities as well as increases in base rent at a percentage of the Consumer Price Index as defined in the lease. In conjunction with the headquarter lease the Center has been given an allowance for leasehold improvements by the landlord which amounted to approximately \$432,000 and \$198,000 in 2002 and 2001, respectively.

EDUCATION DEVELOPMENT CENTER, INC.

Notes to Financial Statements - Continued

September 30, 2002 and 2001

NOTE D - COMMITMENTS AND CONTINGENCIES - Continued

The following is a schedule of minimum rental payments under such operating leases

Year ending <u>September 30,</u>	
2003	\$ 4,899,411
2004	4,406,853
2005	4,233,465
2006	4,284,355
2007	4,225,101
Thereafter	<u>18,690,991</u>
Total	<u>\$40,740,176</u>

Rent expense was approximately \$5,672,000 and \$3,078,000 during 2002 and 2001, respectively.

Contingencies

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Center's financial position.

NOTE E - LINE OF CREDIT

The Center has a revolving line of credit with a bank which expires on March 30, 2003. Borrowings are limited to up to seventy-five percent of accounts receivable, not to exceed a maximum total borrowing of \$2,500,000. The line of credit is secured by a security interest in substantially all of the assets of the Center. No amounts were outstanding under this line of credit as of September 30, 2002 or 2001.

NOTE F - RETIREMENT PLAN

After six months of service, employees working more than half-time are eligible to participate in a defined contribution retirement plan (the "Plan"). The Plan calls for the Center to contribute 10% of each participant's regular compensation to purchase retirement annuity contracts on behalf of the participants. Contributions to the plan were approximately \$2,763,000 and \$2,419,000 in 2002 and 2001, respectively. All benefits under this Plan vest on the date on which the Plan contribution was made. Each participant has a nonforfeitable right to 100 percent of his or her accrued benefit derived from employer contributions. In addition, the Center maintains a Supplemental Retirement Annuity Plan which is funded entirely by employee contributions.

SUPPLEMENTARY INFORMATION

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
Research and Development:			
<u>Agency for International Development</u>			
DOT.EDU	02.RD	\$ 691,145	\$ 204,282
Ghana Community Education	02.RD	2,178,330	316,552
Guinea FQEL Phase II	02 RD	2,036,524	636,590
Interactive Radio for Zambia - Implementation	02 RD	324,743	
Interactive Radio Program in Region 5	02.RD	323,976	
Literacy Improvement Initiative in Nigeria	02 RD	3,644,499	1,376,320
DOSA	02 RD	72,278	69,259
Interactive Radio for Zambia	02.RD	4,913	
DOT.EDU	02.RD	26,614	23,573
GWIT	02.RD	80,177	
Haiti Distance Education Inside and Beyond The Classroom	02 RD	27,562	
Educational Exchange with the University of Bamako	02 RD	22,194	1,721
Passed through American Institutes for Research			
IEQ Task Orders	02 RD	720,816	8,833
Passed through Academy for Educational Development			
DOT ORG	02 RD	112,537	
Haiti Education 2004 Transition	02.RD	245,342	
Passed through World Education, Inc..			
Womens and Girls Project	02 RD	3,125	2,783
Community Support and Equity in Guinean			
Primary Education	02 RD	19,122	
Passed through Katalysis Partnership Inc			
Partnerships, Principles, Practices	02 RD	15,508	
Passed through John Snow Inc.			
Mali PDY	02 RD	464,354	

The accompanying notes are an integral part of this schedule.

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Agency for International Development - Continued</u>			
Passed through CARE:			
Field Office Egypt NSP	02 RD	\$ 826,886	
Passed through TvT Associates:			
MEDS Project	02 RD	15,222	
Passed Through World Vision, Inc.			
Child Survival White Paper	02.RD	<u>31,756</u>	<u> </u>
Total Agency for International Development		11,887,623	\$ 2,639,913
<u>Department of Housing and Urban Development</u>			
Supportive Housing - DC	14 235	11,284	
Supportive Housing - II	14 235	73,705	
Passed through ICF Kaiser Consulting Group			
Neighborhood Networks	14 RD	4,117	
Passed through various sponsors:			
City of Waltham	14.RD	<u>1,499</u>	<u> </u>
Total Department of Housing and Urban Development		90,605	-
<u>Department of the Interior</u>			
National Park Service	15 RD	17,099	
Passed through Heritage Partners Inc			
Fire Island National Seashore	15 RD	<u>2,096</u>	<u> </u>
Total Department of the Interior		19,195	-

The accompanying notes are an integral part of this schedule.

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>US Bureau of Indian Affairs</u>			
Bureau of Indian Affairs Pilot	15 RD	\$ 81	_____
Total US Bureau of Indian Affairs		81	\$ -
<u>Department of Justice</u>			
Hate Crime Prevention	16 RD	40	
Evaluation of Flashpoint	16 542	125,809	26,626
Campus Sexual Assault	16 582	744	
Passed through Caliber Associates Multi Site Evaluation – Domestic Violence	16 RD	191,258	_____
Total Department of Justice		317,851	26,626
<u>Department of Labor</u>			
Tanzania Child Laborers Program	17 RD	135,206	
Passed through National Alliance of Business Building Employer Participation in STW Systems	17 249	123,740	
Passed through Defense Technology Inc Teaching Firm	17 248	11,825	
Passed Through University of California at Berkley National Young Worker Training and Resource Center	17 502	106,195	
Passed Through Cleveland Municipal School District Cleveland Empowerment Zone	17 RD	68,152	
Passed Through Vocational Guidance Services Youth Opportunity Grant	17 RD	130,759	
Passed Through Cuyahoga County Commissioners Youth Offenders	17 RD	11,559	_____
Total Department of Labor		587,436	-

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Bureau of Educational and Cultural Affairs</u>			
Wye River Exchange	19 RD	\$ 2,961	
An Exchange Program in Zambia	19 415	<u>18,931</u>	
Total Bureau of Educational and Cultural Affairs		21,892	
<u>US Department of Transportation</u>			
Injury Control Support	20 RD	15,876	
NHTSA Public Health	20.RD	<u>132,379</u>	
Total Department of Transportation		148,255	\$ -
<u>National Endowment Arts</u>			
Arts Integration & Student	45 024	17,817	
Spectra – NEA	45 024	9,105	
Spectra – New England	45 024	<u>67,194</u>	
Total National Endowment Arts		94,116	-
<u>National Endowment for the Humanities</u>			
Picturing Modern America	45 162	<u>73,008</u>	
Total National Endowment for the Humanities		73,008	-
<u>National Science Foundation</u>			
Designing for Diversity	47 070	192,990	
The Ecologies of Childrens Computing	47 075	6	
Using Digital Libraries to Enhance High School Teaching in STEM	47 076	2,014	
Video Resources for In-Depth Investigations of Pond Organisms	47 076	9,530	

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
Schedule of Expenditures of Federal Awards - Continued
Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>National Science Foundation - Continued</u>			
Explore IT- Science Investigations in Out-of-School Programs	47 076	\$ 37,736	
K-12 Mathematics Curriculum Phase III	47 076	3	
Lesson Study Communities in Secondary Mathematics	47 076	100,894	
From Counting to Calculus	47 076	152,936	
Handheld Diagnostics	47 076	99,388	\$ 20,000
Innovation Exchange- Exploring Possibility of Systemic Reform	47.076	50,579	10,134
Tune in to Math	47 076	717,865	244,656
Science ED and System Changing	47 076	173,631	7,360
Project Hiller	47 076	27,921	
Standards Project	47 076	74,835	
Enlivening Genetics Education	47 076	300,292	84,555
Connecting with Mathematics	47 076	208,721	
Teacher Leadership for Systemic Reform	47.076	335,435	
K-12 Science Center	47 076	1,431,651	228,121
Took-Kit for ESCS	47 076	626,795	32,532
Developing Math Research	47 076	218,327	
Technology – Enhanced Learning	47 076	193,503	63,640
Technology Enhanced Leap	47 076	1,492,398	508,813
Teaching to the Big Ideas	47 076	208,611	105,663
Addressing Accessibility	47 076	99,798	
Integrating Academic and Technical Education	47 076	244,881	9,900
Hiller II	47 076	24,379	
Gems Learning Online	47.076	331,276	48,194
Science Quest	47.076	276,882	54,311
Science Ed and Rural Settings	47 076	42,014	
Research Based Science Curricula	47 076	10,888	
Center for Science Education Reform	47 076	54,532	
Mathematical Methods in High School	47 076	32,457	
WGIDPO. Imagination Place	47 076	76,756	13,125
Administrators Working for Change	47 076	183,404	
Building Regional Capacity	47 076	255,892	
After School Programs	47 076	640,326	348,574

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>National Science Foundation - Continued</u>			
From Data to Instructional Improvement	47 076	\$ 225,297	\$ 11,702
Gender and Science Digital Library	47 076	531,936	122,301
Middle Grades Science Mentoring	47 076	247,172	48,827
Looking inside the Black Box	47 076	48,652	
Foundation Science	47.076	391,488	
Has Inquiry Made a Difference	47 076	244,685	
Facilitating Lenses on Learning	47 076	626,972	23,074
K12 Mathematics Curriculum Center Phase II	47 076	902,116	24,920
Learning by Doing	47 076	789,193	
IT Applications Across Career Clusters	47 076	213,303	10,006
Passed through Rose-Hulman Institute of Technology Engineering Education for Inclusive Design	47 041	28,488	
Passed through the University of Missouri and City of Boston Show-Me Project	47 076	160,064	
Passed through the University of Massachusetts Amherst Tinker Plots	47 076	25,630	
Problems with a Point	47.076	255,239	
Passed through the trustees of Boston University Linked Learning in Mathematics	47.076	31,558	
Secrets of Nubian Culture	47 076	471,157	232,238
Passed through West Ed Designs for Professional Development	47 076	20,060	
Passed through Learning Alliance Figure This!	47 076	24,393	
Passed through Durham Public Schools Ramp Project	47 076	28,453	
Passed through Pittsburg Public School Prime and Prime PLUS Evaluation	47 076	102,530	
Passed through Board of Education of the City of New York Smart Process Project	47 076	8,194	
Smart Process Project	47 076	1,693	

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>National Science Foundation</u> - Continued			
Passed through Pittsburgh Public Schools Prime and Prime Projects	47 076	\$ 5,375	
Passed through the Exploratorium Live @ the Exploratorium	47 076	75,661	
Passed through the Research Foundation of CUNY City Technology Curriculum Guidelines	47.076	1,141	
Learning from Everyday Stuff	47.076	131,296	
Passed through MIT The Pie Network Evaluation	47 076	54,097	
Passed Through TERC. Investigations Revisions	47 076	101,444	
Passed Through Regents of the University System of Georgia Apprenticeships in Cyberspace	47 076	10,904	
Passed Through Regents of the University of Michigan Middle School Science Curriculum Materials	47 076	23,267	
Passed Through Hudson Public Schools K-5 Grade Level Science Workshops	47 076	<u>4,289</u>	<u> </u>
Total National Science Foundation		14,715,293	\$ 2,252,646
<u>Department of Veteran Affairs</u>			
Integrated Ethics Program Education Materials	64 RD	<u>4,084</u>	<u> </u>
Total Department of Veteran Affairs		4,084	-
<u>United States Information Agency</u>			
Middle East Disabilities	82 RD	<u>4,642</u>	<u> </u>
Total United States Information Agency		4,642	-

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Department of Education</u>			
Beacons of Excellence	84 023D	\$ 23,373	
REACH	84 180T	<u>916,491</u>	\$ <u>554,122</u>
Total Special Education – Innovation and Development		939,864	554,122
Passed through University of Colorado			
U/C Denver Urban School Improvement	84.086C	176,100	12,000
Work-Centric Intelligent System	84 116B	20,179	20
Realizing the Potential	84 133G	<u>189</u>	<u> </u>
Total Technology Applications for Individuals with Disabilities		196,468	12,020
Passed through Harvard University School of Public Health			
Comprehensive Regional Assistance	84 283A	1,371,987	274,453
Three R's to Dealing with Trauma in Schools	84 184	45,237	
Passed through Kirby School District			
Challenge Grant Evaluation	84 303A	1,073	
Passed through Concordia Parish School Board			
Concordia Parish Tech	84 303	23,054	
Passed through New Mexico State University			
NMSU/RETA Initiative	84 303	<u>96,307</u>	<u> </u>
Total Technology Innovation Challenge Grants		1,537,658	274,453
Studying the Impact of Leap	84 305T	232,269	
Link Us	84 RD	650,008	
WEEA	84 RD	941,227	
Steppingstones of Technology Innovation	84 327A	3,768	
Model demonstration Projects for Children With Disabilities	84 324M	32	
Partners	84 324T	161,744	
Assessing Student Achievement	84 282F	265,383	20,000

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Department of Education - Continued</u>			
Equity in School Change	84 324D	\$ 207,096	\$ 28,349
Navigating Knowledge	84.327A	153,875	
Taking Aim at Middle Grades Reform	84.RD	1,031,885	106,941
Middle School Drug Prevention	84 RD	1,755,312	417,597
Second Stage of Access	84 203U	17,433	
Building Linkages Year 1	84.RD	370,033	60,435
Word for Word Year 1	84 133G	108,551	
NEIR TEC	84 302A	1,152,419	673,528
Building Capacity II	84 215C	1,032,854	201,140
America Connects Consortium	84 RD	2,004,333	830,898
Higher Ed Center	84 RD	2,857,390	931,388
Passed through National Council on Economic Education NCEE Grant	84 RD	5,602	
Passed through Council for Exceptional Children IDEA practices	84 326A	83,123	
ILIAD-CEC Partnership	84 326A	74,336	
Passed through California State University Institute. TV411 Website	84 RD	10,181	
Passed through Childrens Aid Society 21 ST Century Year 1	84 RD	88,143	
Community Tech Center	84 RD	43,208	
Passed through Miami Museum of Science Project Start	84 RD	74,722	
Passed through Bank Street College of Education Project Deep	84 RD	74,289	
Passed through University of Virginia Linking Teacher Ed Year 1	84 RD	70,563	
Passed through University of Maryland Educational Policy Reform Research Institute	84 324P	125,294	
Passed through University of Florida LASER	84 326M	100,174	
Passed through Norfolk County Sheriff's Office Life Skills for State and Local Prisoners	84 255A	92,715	

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Department of Education - Continued</u>			
Passed through Sacramento County Office of Education Cyberstep	84 RD	\$ 156,068	\$ 39,130
Passed through Public Broadcasting Service PBS Teacherline	84 286	841,619	215,131
Language and Literacy Together	84 205A	227,313	90,508
Passed through University of Nebraska International Mathematical Olympiad	84.215	13,363	
Passed through Board of Education of the City of Chicago Chicago Technology Grant	84 RD	62,288	
Passed Through Liberty Science Center Liberty Science Center Evaluation	84 303K	67,068	
Passed Through Hofstra University FIE Evaluation	84.215K	14,341	
Passed Through State of Connecticut Department of ED STARS- Striving to Achieve Reading Success	84 349A	<u>236,483</u>	<u> </u>
Total Department of Education		18,080,495	4,455,640
<u>Department of Health and Human Services</u>			
Children's Safety Network	93 110	3	
Violence Prevention for High Risk Youth	93 136	221,722	26,012
Research on Adolescent Suicide	93 136	<u>36,705</u>	<u> </u>
Total Injury Prevention and Control Research		258,430	26,012
Research on Healthcare Outcomes and Quality Using Social Norms Marketing to Reduce Youth Alcohol Use	93 180	15,668	11,048
The EDC Women's HIV Prevention Collaborative	93 273	38,421	
Young Worker Health Education	93 230	282,670	92,268
Passed through Harvard University Health Training for Underrepresented Minorities Evaluation	93 262	40,192	
	93 375	13,532	

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
Schedule of Expenditures of Federal Awards - Continued
Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Department of Health and Human Services - Continued</u>			
Head Start Quality	93.600	\$ 3,221	
Head Start DSQIC	93.600	827,448	
Reach for Health	93 864	307,074	\$ 131,484
National Program to Strengthen CSH	93.938	253,172	
Prevention of HIV Infection in Youth at Risk	93 941	920,907	97,899
National Training Partnerships	93 RD	245	
Injury and Violence Prevention Resource Center	93 RD	1,255,279	39,759
Increasing Organ Donation	93 134	389,623	157,631
CF Gene Therapy	93 172	189,417	37,312
Testing the Effectiveness of the Voices/Voices Intervention Package	93 RD	62,250	
National Strategy for Suicide Prevention	93 RD	70,943	
Efficacy of Condom Skills Building	93 941	297,259	97,544
Analysis of Youth Violence Prevention Programs	93 RD	47,233	
Head Start QIC Year 5	93 600	202,332	
Partnering For Quality	93 647	239,474	
Marketing and High Risk Drinking	93 273	781,966	53,973
Middle Childhood Risk Prevention Study	93 865	423,023	80,352
HRQRC Next Generation	93 600	289,888	
Center for the Application of Prevention Technologies	93 230	1,583,120	157,400
Prevention of Intimate Partner Violence	93 136	405,142	44,201
Using Social Networks to Increase HIV Testing	93.242	37,047	
Fetal Alcohol Syndrome Awareness and Education Project	93 283	210,579	
Headstart QUILT	93 600	2,786,898	100,460
Passed through Harvard University of Public Health Minority Biomedical Research Support	93 375	14,583	
Passed through American Association of Immunologists Creating Teacher/Scientists Partnerships	93 855	11,934	
Passed through Harvard School of Public Health Moving the Kids to the Back	93 136	39,465	
Passed through State and Territorial Injury Prevention Directors Association Core Public Health Functions Related to			

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Expenditures of Federal Awards - Continued
 Year ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Department of Health and Human Services - Continued</u>			
Passed through Harvard School of Public Health			
Preventing Violence through Referral	93 136	\$ 64,768	
Internet Based Suicide Prevention Courses	93 110	133,765	
Passed through Columbia University			
NYC Collaborative to Address HIV Risk Among Latino Men	93 943	42,944	
Center for Youth Violence Prevention	93 136	128,382	
Passed through AIR			
Skills Enhancement Training II	93 RD	10,348	
Passed through Brigham and Women's Hospital			
Parent Education on DNA Testing in the Newborn Screen	93 172	<u>61,474</u>	<u> </u>
Total Department of Health and Human Services		12,747,043	\$ 1,127,343
Total Expenditures of Federal Awards Research and Development		<u>\$58,791,619</u>	<u>\$10,502,168</u>

The accompanying notes are an integral part of this schedule

EDUCATION DEVELOPMENT CENTER, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year ended September 30, 2002

NOTE A - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the Federal contracts and grant activity and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations

Report of Independent Certified Public Accountants on
Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Board of Trustees
Education Development Center, Inc

We have audited the financial statements of Education Development Center Inc , (the "Center") as of and for the year ended September 30, 2002, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Trustees, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties

Grant Thornton LLP
Boston, Massachusetts
December 20, 2002

Report of Independent Certified Public Accountants
on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

Board of Trustees
Education Development Center, Inc

Compliance

We have audited the compliance of Education Development Center Inc , (the "Center") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to its major Federal program for the year ended September 30, 2002. The Center's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended September 30, 2002.

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Trustees, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Boston, Massachusetts

December 20, 2002

EDUCATION DEVELOPMENT CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2002

Section 1

Summary of Auditor's Results

Financial Statements

1	Type of auditor's report issued	Unqualified
2	Internal control over financial reporting.	
a	Material weaknesses identified ?	None
b	Reportable conditions identified not considered to be material weakness ?	None Reported
c	Noncompliance material to the financial statements noted ?	None

Federal Awards

1	Internal control over major programs:	
a	Material weaknesses identified ?	None
b	Reportable conditions identified not considered to be material weaknesses ?	None Reported
2	Type of auditor's report issued on compliance for major programs:	Unqualified
3	Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a) ?	None

4 Identification of major programs.

CFDA Number

Name of Federal Program

Cluster Program*

Research and Development

5	Dollar threshold used to distinguish between Type A and Type B programs:	\$1,763,749
6	Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530 ?	Yes

* See Schedule of Expenditures of Federal Awards for a complete listing of the research and development programs and their related CFDA numbers

EDUCATION DEVELOPMENT CENTER, INC.
Schedule of Findings and Questioned Costs - Continued
Year ended September 30, 2002

Section 2

Financial Statement Findings

None

Section 3

Federal Award Findings and Questioned Costs

None

Section 4

Summary Schedule of Prior Year Findings

None.

Part V List of Officers, Directors, Trustees, and Key Employees

(A) Name	(B) Title and Average Hours Per Week Devoted to Position		(C) Compensation	(D) Contributions to Employee Benefit Plans & Deferred Compensation
Eric Jolly	Vice President	40 Hours	143,262	24,217
Glenn Kleiman	Vice President	40 Hours	119,959	20,278
Michael Laflin	Vice President	40 Hours	141,908	23,988
Mildred Solomon	Vice President	40 Hours	103,761	17,540
Patricia Sacco	Secretary	40 Hours	65,646	11,097