

CATHOLIC DIOCESE FOUNDATION

**REPORT ON AUDITS OF
FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
for the years ended June 30, 1998 and 1997**

CATHOLIC DIOCESE FOUNDATION

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Report of Independent Accountants

To the Board of Directors
Catholic Diocese Foundation
Wilmington, Delaware

We have audited the accompanying balance sheets of the Catholic Diocese Foundation (the Foundation) as of June 30, 1998 and 1997 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Foundation has not adopted Statement for Financial Accounting Standards No. 93 (SFAS 93), "Recognition of Depreciation by Not-for-Profit Organizations," which requires not-for-profit organizations to recognize depreciation as a cost of using up the future economic benefits of their long-lived tangible assets. The effect of not complying with SFAS 93 is not reasonably determinable.

In our opinion, except for the effect of not recognizing depreciation expense of long-lived tangible assets as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 1998 and 1997 and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of grants payable as of June 30, 1998 and 1997 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information as of June 30, 1998 and 1997 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.

Ruewatsilunee Cooper LLP

September 21, 1998

CATHOLIC DIOCESE FOUNDATION

**Balance Sheets
as of June 30, 1998 and 1997**

	1998						1997	
	Unrestricted			Restricted			Total	Total
ASSETS	General	Development	Special	Total	France	Grimes	Total	Total
Cash	\$ 729,209			\$ 729,209			\$ -	\$ 729,209
Pooled investments	44,764,400	\$ (190,042)	\$ 7,349,612	51,923,970	\$ 33,756	\$ 466,433	\$ 500,189	52,424,159
Notes receivable	1,510,367	368,739		1,879,106			-	1,879,106
Real estate	4,122,267			4,122,267			-	4,122,267
Total assets	\$ 51,126,243	\$ 178,697	\$ 7,349,612	\$ 58,654,552	\$ 33,756	\$ 466,433	\$ 500,189	\$ 59,154,741
LIABILITIES AND NET ASSETS								
Accrued expenses	18,000			18,000			-	18,000
Grants payable	821,712	8,858	182,000	1,012,570			-	1,012,570
Total liabilities	839,712	8,858	182,000	1,030,570	-	-	-	1,030,570
Net assets:								
Unrestricted - general	50,286,531			50,286,531			-	50,286,531
Unrestricted - designated		169,839	7,167,612	7,337,451			-	7,337,451
Temporarily restricted				-	8,756	315,635	324,391	324,391
Permanently restricted				-	25,000	150,798	175,798	175,798
Total net assets	50,286,531	169,839	7,167,612	57,623,982	33,756	466,433	500,189	58,124,171
Total liabilities and net assets	\$ 51,126,243	\$ 178,697	\$ 7,349,612	\$ 58,654,552	\$ 33,756	\$ 466,433	\$ 500,189	\$ 59,154,741

The accompanying notes are an integral part of the financial statements.

CATHOLIC DIOCESE FOUNDATION

Statement of Activities
for the year ended June 30, 1998

	Unrestricted				Restricted				
	General	Designated		Donor Related	Total	France	Grimes	Total	Total
		Development	Special						
Revenue:									
Pooled investment income	\$ 6,372,017	\$ 15,234	\$ 1,200,530		\$ 7,587,781	\$ 5,165	\$ 72,047	\$ 77,212	\$ 7,664,993
Other investment income	36,339	11,256			47,595				47,595
Gain on sale of real estate	5,000,730				5,000,730				5,000,730
Rental income	5,900				5,900				5,900
Contributions	34,188				34,188				34,188
Total revenue	11,449,174	26,490	1,200,530	-	12,676,194	5,165	72,047	77,212	12,753,406
Expenses:									
Program services:									
Grants - parishes	622,400	150,000	178,039		950,439				950,439
Grants - Diocese and agencies	421,710		500,000		921,710				921,710
Grants - non-diocesan agencies	105,000				105,000				105,000
Other			2,397	\$ 1,796	4,193				4,193
Total program services	1,149,110	150,000	680,436	1,796	1,981,342	-	-	-	1,981,342
Supporting services:									
Accounting and administration	15,983				15,983				15,983
Professional fees	21,873				21,873				21,873
Mass stipends	1,040				1,040				1,040
Real estate holding costs	64,912				64,912				64,912
Total supporting services	103,808				103,808				103,808
Total expenses	1,252,918	150,000	680,436	1,796	2,085,150				2,085,150
Excess/(deficiency) of revenue over expenses	10,196,256	(123,510)	520,094	(1,796)	10,591,044	5,165	72,047	77,212	10,668,256
Net assets released from restriction				1,796	1,796	(1,796)		(1,796)	
Changes in net assets	10,196,256	(123,510)	520,094		10,592,840	3,369	72,047	75,416	10,668,256
Net assets at beginning of year	40,090,275	293,349	6,647,518		47,031,142	30,387	394,386	424,773	47,455,915
Net assets at end of year	\$ 50,286,531	\$ 169,839	\$ 7,167,612		\$ 57,623,982	\$ 33,756	\$ 466,433	\$ 500,189	\$ 58,124,171

The accompanying notes are an integral part of the financial statements.

CATHOLIC DIOCESE FOUNDATION

Statement of Activities
for the year ended June 30, 1997

	Unrestricted					Restricted			Total
	General	Development	Designated Education	Special	Donor Related	France	Grimes	Total	
Revenue:									
Pooled investment income	\$ 6,022,085	\$ 84,606	\$ 503,657	\$ 1,258,067		\$ 7,868,415	\$ 5,387	\$ 70,972	\$ 7,944,774
Other investment income	8,147	5,250				13,397			13,397
Gain on sale of real estate	5,751,200					5,751,200			5,751,200
Rental income	8,926					8,926			8,928
Total revenue	11,790,358	89,856	503,657	1,258,067	-	13,641,938	5,387	70,972	13,718,297
Expenses:									
Program services:									
Grants - parishes	764,800	325,000		29,363		1,119,163			1,119,163
Grants - Diocese and agencies	152,350		1,724,140	173,480		2,049,970			2,049,970
Grants - non-diocesan agencies	125,000	100,000				225,000			225,000
Other	3,234				\$ 2,292	5,526			5,526
Total program services	1,045,384	425,000	1,724,140	202,843	2,292	3,399,659			3,399,659
Supporting services:									
Accounting and administration	26,153					26,153			26,153
Professional fees	47,610					47,610			47,610
Mass stipends	1,040					1,040			1,040
Real estate holding costs	83,804					83,804			83,804
Total supporting services	158,607					158,607			158,607
Total expenses	1,203,991	425,000	1,724,140	202,843	2,292	3,558,266			3,558,266
Excess/(deficiency) of revenue over expenses	10,586,367	(335,144)	(1,220,483)	1,055,224	(2,292)	10,083,672	5,387	70,972	10,160,031
Net assets released from restriction					2,292	2,292	(2,292)	(2,292)	
Transfers	281,801	(281,801)							
Changes in net assets	10,868,168	(616,945)	(1,220,483)	1,055,224		10,085,964	3,095	70,972	10,160,031
Net assets at beginning of year	29,222,107	910,294	1,220,483	5,592,294		36,945,178	27,292	323,414	37,295,884
Net assets at end of year	\$ 40,090,275	\$ 293,349		\$ 6,647,518		\$ 47,031,142	\$ 30,387	\$ 394,386	\$ 47,455,915

The accompanying notes are an integral part of the financial statements.

CATHOLIC DIOCESE FOUNDATION

Statements of Cash Flows for the years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Changes in net assets	\$ 10,668,256	\$ 10,160,031
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net appreciation on pooled investments	(6,577,975)	(6,767,926)
Gain on sale of real estate	(5,000,730)	(5,751,200)
Decrease in grants payable	(5,601)	(3,110,329)
Increase in accrued expenses	-	18,000
	(916,050)	(5,451,424)
Net cash used in operating activities		
Cash flows from investing activities:		
Amounts drawn from pooled investments for current operations	1,670,741	6,582,764
Reinvestment of interest and dividends into pooled investments	(1,087,018)	(1,176,848)
Deposits into pooled investments	(4,250,000)	(6,096,579)
Proceeds from the sale of real estate	5,421,592	6,327,619
Purchase of real estate	(107,791)	(281,801)
Issuance of notes receivable	(349,306)	-
Repayments of notes receivable	34,250	38,375
	1,332,468	5,393,530
Net cash provided by investing activities		
Net increase/(decrease) in cash	416,418	(57,894)
Cash at beginning of year	312,791	370,685
Cash at end of year	\$ 729,209	\$ 312,791

The accompanying notes are an integral part of the financial statements.

CATHOLIC DIOCESE FOUNDATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Operations:

The Catholic Diocese Foundation (the Foundation) was established in 1928 for the promotion of Catholic Religion, Catholic Education, and charity in the Catholic Diocese of Wilmington. The Foundation assists parishes in getting established, aids in their expansion, and funds programs of education and charity. A substantial portion of the revenue for the Foundation is generated through income on investments.

Basis of Reporting:

The Foundation reports using the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Financial Statement Presentation:

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

- **Unrestricted Net Assets** include those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.
- **Temporarily Restricted Net Assets** include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.
- **Permanently Restricted Net Assets** include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Contributions:

Contributions are recognized as revenue in accordance with Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." Noncash contributions are recorded at fair value on the date of donation. Contributions of cash and other non-capital assets are reported as temporarily restricted operating revenue if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, which are received and expended within the same fiscal year, are reported as unrestricted revenues.

Pooled Investments:

Pooled investments are stated at fair value. Pooled investment income on the statement of activities includes interest, dividends, and net appreciation. Net appreciation includes realized and unrealized gains and losses, net of consulting and custodial costs.

The Foundation participates with the Catholic Diocese of Wilmington, Inc. (the Diocese) and other affiliated organizations in an investment pool which is held in a custody account at Delaware Trust Capital Management. The pool is invested in a combination of fixed income and equity securities and mutual funds.

The Foundation utilizes a total return policy to determine the level of support for operations and capital expenditures from pooled investments. The level of support is determined annually.

The investment pool is exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the market value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Notes Receivable:

Many notes receivable maintained by the Foundation are non-interest bearing. These balances include receivables to be repaid at the Bishop's discretion as well as receivables with definitive repayment terms.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Real Estate:

Real estate consists of buildings and land. All acquisitions are capitalized at cost, when purchased, or at fair value at date of gift, when donated. The properties were acquired with the intent that they would be used for future Diocesan needs.

Statement of Financial Accounting Standards No. 93 (SFAS 93), "Recognition of Depreciation by Not-for-Profit Organizations," requires not-for-profit organizations to recognize depreciation as a cost of using up the future benefits of their long-lived tangible assets. The Foundation has not adopted SFAS 93. The effect of not complying with SFAS 93 is not reasonably determinable.

Grants Payable:

Grants payable are unconditional promises to give that have been expensed in the period pledged.

2. Pooled Investments:

The Foundation invests in a combination of fixed income and equity securities and mutual funds. The composition of pooled investments as of June 30, 1998 and 1997 was as follows:

	<u>1998</u>	<u>1997</u>
Cash and cash equivalents	\$ 2,478,585	\$ (14,897)
Fixed income	10,926,023	9,832,246
Domestic equity	30,671,157	25,139,402
International equity	<u>8,348,394</u>	<u>7,223,156</u>
Total pooled investments	<u>\$ 52,424,159</u>	<u>\$ 42,179,907</u>

The fair value of these investments was determined based on quoted market prices at June 30, 1998 and 1997.

Pooled investment income for the years ended June 30, 1998 and 1997 was comprised of the following:

	<u>1998</u>	<u>1997</u>
Interest and dividends	\$ 1,087,018	\$ 1,176,848
Net appreciation	<u>6,577,975</u>	<u>6,767,926</u>
Pooled investment income	<u>\$ 7,664,993</u>	<u>\$ 7,944,774</u>

Notes to Financial Statements, Continued

2. Pooled Investments, continued:

The pooled investment income was net of custodial and advisory fees in the amounts of \$305,104 and \$270,043 for the years ended June 30, 1998 and 1997, respectively.

3. Notes Receivable:

Notes receivable at June 30, 1998 and 1997 were as follows:

	<u>1998</u>	<u>1997</u>
The following receivables, principally land grants, are to be repaid at the Bishop's discretion and are non-interest bearing:		
Church of the Holy Child	\$ 58,000	\$ 58,000
Holy Family	6,800	6,800
Resurrection Parish	50,000	50,000
St. Catherine of Siena	100,000	100,000
St. Dennis	69,400	69,400
St. Michael the Archangel	71,256	71,256
St. Elizabeth Ann Seton	181,500	181,500
St. Joseph, Middletown	112,710	112,710
St. Luke's and St. Andrew's	259,900	259,900
St. Luke's and St. Andrew's	71,251	71,251
St. Matthew	35,000	35,000
St. Polycarp	20,000	20,000
	<u>1,035,817</u>	<u>1,035,817</u>

Notes to Financial Statements, Continued

3. Notes Receivable, continued:

	<u>1998</u>	<u>1997</u>
The following receivables have payment terms as stated below:		
Capuchin Poor Clare Nuns, Inc. (property acquisition) - payable at the discretion of the Board of Directors of the Foundation, not callable until 2012, non-interest bearing	\$ 75,000	\$ 75,000
St. Catherine of Siena (construction) - payable in 16 semiannual installments of \$6,250 beginning in June 1995, non-interest bearing	56,250	68,750
St. Elizabeth (fire code improvement) - payable in 5 annual installments of \$5,875 beginning in October 1993, non-interest bearing	-	5,875
St. Luke's and St. Andrew's (building acquisition) - payable in 180 monthly payments of \$1,906 with 6% interest, beginning September 1998	343,300	-
St. Luke's and St. Andrew's (capital improvements) - payable in 5 annual installments of \$10,000 beginning in March 1994, non-interest bearing	10,000	10,000
St. Patrick (parking lot) - payable in 15 annual installments of \$10,000 beginning in December 1994, non-interest bearing	110,000	120,000
Immaculate Conception, Marydel (property acquisition) - terms require 2 years of semi-annual interest only payments beginning in November 1994 at 4%, then 16 semiannual payments of \$5,875, which include interest. The 16 payments of \$5,875 have been deferred and began November 1997	73,739	73,608
St. Francis de Sales (property acquisition) - annual interest only for five years until January 2001, then payable in 30 semiannual installments of \$5,834 plus interest at 3%	175,000	175,000
	<u>843,289</u>	<u>528,233</u>
Total notes receivable	<u>\$ 1,879,106</u>	<u>\$ 1,564,050</u>

4. Rental Income:

The Foundation has rental agreement with tenants who rent houses and farmland owned by the Foundation. The terms of the rental agreements vary from property to property. Total rental income for the years ended June 30, 1998 and 1997 was \$5,900 and \$8,926, respectively.

Notes to Financial Statements, Continued

5. Related Party Transactions:

Certain members of the Foundation's board are also board members of certain affiliated corporations.

The Foundation rents office space from the Diocese. Total rental expense for the years ended June 30, 1998 and 1997 was \$1,788 and \$1,716, respectively. In addition, the Diocese provides administrative services for the Foundation. Employees are paid by the Diocese and all related payroll costs are reimbursed by the Foundation. Total labor expense including payroll taxes for the years ended June 30, 1998 and 1997 was \$12,926 and \$23,142, respectively, and is included as accounting and administrative expenses in the statement of activities.

The Foundation awarded grants to the following related organizations:

	<u>1998</u>	<u>1997</u>
Catholic Diocese of Wilmington, Inc.	\$ 467,100	\$ 1,987,470
St. Mark's High School, Inc.	60,000	55,500
St. Thomas More Academy, Inc.	400,000	-
Catholic Press of Wilmington, Inc.	-	7,000

During 1997, the Foundation transferred \$4,424,140 to the Diocese's Education Fund. Of this amount, \$3,000,000 represented a grant payable as of June 30, 1996 to provide supplements to teachers' salaries at parish and Diocesan elementary and secondary schools.

Grants payable to related parties as of June 30, 1998 and 1997 amounted to \$1,012,570 and \$1,018,171, respectively, as detailed in the supplemental schedules of grants payable.

Certain buildings owned by the Foundation are used by Catholic Charities, Inc. without charge. The estimated fair value of the contributed facilities usage is not significant.

6. Commitments:

On September 19, 1996, the Board approved a non-interest bearing loan up to \$200,000 to St. Elizabeth Ann Seton from the Development Fund. Repayment terms begin in the sixth year after the loan is disbursed. This loan was disbursed on July 23, 1998.

7. Income Taxes:

The Foundation is a not-for-profit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

SUPPLEMENTAL SCHEDULES

CATHOLIC DIOCESE FOUNDATION

Supplemental Schedule of Grants Payable as of June 30, 1998

The Foundation's grants payable as of June 30, 1998 are summarized as follows:

	Purpose	Payable
Cathedral of St. Peter	Renovations to Bathroom	\$ 107,000
Children's Home	Capital improvements	8,858
Christ Our King Parish	Parish Nurse Program	10,000
Christ Our King School	1999 Budget Support	160,000
Diocese of Wilmington	1998-1999 Training Budget (Office of Deacons)	144,000
Diocese of Wilmington	Development & Training of Spiritual Directors	35,000
Diocese of Wilmington	Millennium Committee program expenses	32,500
Diocese of Wilmington	Legal fees	50,000
Diocese of Wilmington	Bishop's discretionary ministry fund	25,000
Diocese of Wilmington Schools	Technology person for all schools	45,000
Holy Rosary	Conditional for building repairs	5,000
Old Bohemia Society	St. Francis Xavier Church	75,000
St. Edmond's Academy	Capital campaign (5 year pledge)	10,000
St. Mark's High School	Capital improvements & equipment	3,212
St. Mark's High School	Computer equipment for Library & Classrooms	60,000
St. Paul	1999 Budget Support	242,000
		\$ 1,012,570

CATHOLIC DIOCESE FOUNDATION

Supplemental Schedule of Grants Payable as of June 30, 1997

The Foundation's grants payable as of June 30, 1997 are summarized as follows:

	Purpose	Payable
Children's Home	Capital improvements	\$ 150,000
Children's Home	Capital Improvements	100,000
Christ Our King School	Budget support	160,000
Diocese of Wilmington	Legal fees	35,250
Diocese of Wilmington	Bishop's discretionary ministry fund	25,000
Diocese of Wilmington	1st years of Deacon Formation Program	73,480
Eastern Shore Cooperative	Religious education support for 1998	29,600
Holy Rosary	Conditional for building repairs	5,000
Old Bohemia Society	St. Francis Xavier Church	75,000
Saint Edmund's Academy	Capital campaign	20,000
St. Elizabeth High School	Upgrade electrical system	35,000
St. Mark's High School	Capital equipment	9,341
St. Mark's High School	Capital improvements and equipment	55,500
St. Matthew	Instal windows in school	35,000
St. Paul School	Budget support	210,000
	Total grants payable	<u>\$ 1,018,171</u>

Catholic Diocese of Wilmington
XXIII. FINANCIAL STATE OF THE DIOCESE
Statistical Index

Catholic Diocese Foundation - Budget

The Foundation supports educational, charitable and religious projects within the Diocese of Wilmington. Only amounts available for grants from the General Fund are budgeted. Budgeted amounts for the five years ending June 30 are as follows:

2003	\$1,600,000
2002	\$1,800,000
2001	\$1,750,000
2000	\$1,750,000
1999	\$1,600,000
1998	\$1,600,000

Catholic Diocese of Wilmington
XXIII. FINANCIAL STATE OF THE DIOCESE
Statistical Index

Entity: Catholic Ministry to the Elderly, Inc.

Enclosures:

- Audited Financial Statements for the years ended June 30, 2002 and 2001
- Audited Financial Statements for the years ended June 30, 2000 and 1999
- Audited Financial Statements for the years ended June 30, 1998 and 1997
- Budget summary for the year ending June 30, 2003

Catholic Ministry to the Elderly, Inc.

Financial Statements and Supplemental Schedules
HUD Project No. 032-EH002
For the years ended June 30, 2002 and 2001

Catholic Ministry to the Elderly, Inc.

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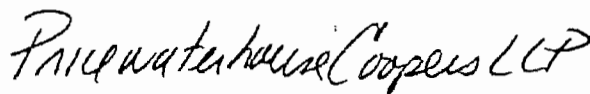
Report of Independent Accountants

To the Board of Directors
Catholic Ministry to the Elderly, Inc.
Wilmington, Delaware

In our opinion, the accompanying balance sheets and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of Catholic Ministry to the Elderly, Inc. (the Ministry) HUD Project No. 032-EH002 as of June 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. These financial statements are the responsibility of the Ministry's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2002 on our consideration of the Ministry'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.

The accompanying schedule of expenditures of federal awards is presented for the 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.



August 9, 2002

Catholic Ministry to the Elderly, Inc.
Balance Sheets
As of June 30, 2002 and 2001

	2002	2001
Assets:		
Cash	\$ 6,388	\$ 15,873
Investments whose use is limited	328,273	390,016
Land	18,240	18,240
Building and improvements (net of accumulated depreciation of \$1,701,900 and \$1,611,666)	1,577,767	1,606,176
Equipment (net of accumulated depreciation of \$154,727 and \$150,638)	2,951	7,040
Total assets	<u>\$1,933,619</u>	<u>\$2,037,345</u>
Liabilities and net assets:		
Accounts payable and accrued expenses	\$ 74,924	\$ 49,969
Deferred rental income	4,130	5,826
Mortgage payable	2,443,008	2,499,247
Tenant security deposits	28,399	29,950
Total liabilities	<u>2,550,461</u>	<u>2,584,992</u>
Net assets:		
Unrestricted	(916,716)	(907,713)
Temporarily restricted	299,874	360,066
Total net assets	<u>(616,842)</u>	<u>(547,647)</u>
Total liabilities and net assets	<u>\$1,933,619</u>	<u>\$2,037,345</u>

The accompanying notes are an integral part of the financial statements.

Catholic Ministry to the Elderly, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2002

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Rental income - dwelling units	\$ 271,302	\$ -	\$ 271,302
Rental income - rent supplements	301,371	-	301,371
Investment income	-	7,282	7,282
Total revenue	<u>572,673</u>	<u>7,282</u>	<u>579,955</u>
Expenses:			
General and administrative	128,827	-	128,827
Operating	37,777	-	37,777
Maintenance	128,812	-	128,812
Payroll taxes and insurance	71,501	-	71,501
Interest on debt	187,910	-	187,910
Depreciation	94,323	-	94,323
Total expenses	<u>649,150</u>	<u>-</u>	<u>649,150</u>
(Deficiency)/excess of revenue over expenses	<u>(76,477)</u>	<u>7,282</u>	<u>(69,195)</u>
Net assets released from restrictions:			
HUD monthly requirement	(20,340)	20,340	-
Authorized HUD transfers, net	87,814	(87,814)	-
Total net assets released from restrictions	<u>67,474</u>	<u>(67,474)</u>	<u>-</u>
Changes in net assets	(9,003)	(60,192)	(69,195)
Net assets at beginning of year	<u>(907,713)</u>	<u>360,066</u>	<u>(547,647)</u>
Net assets at end of year	<u>\$ (916,716)</u>	<u>\$ 299,874</u>	<u>\$ (616,842)</u>

The accompanying notes are an integral part of the financial statements.

Catholic Ministry to the Elderly, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Rental income - dwelling units	\$ 255,601		\$ 255,601
Rental income - rent supplements	325,921		325,921
Investment income	-	\$ 18,471	18,471
Total revenue	<u>581,522</u>	<u>18,471</u>	<u>599,993</u>
Expenses:			
General and administrative	113,487		113,487
Operating	40,224		40,224
Maintenance	119,413		119,413
Payroll taxes and insurance	67,716		67,716
Interest on debt	192,774		192,774
Depreciation	94,323		94,323
Total expenses	<u>627,937</u>	<u>-</u>	<u>627,937</u>
(Deficiency)/excess of revenue over expenses	<u>(46,415)</u>	<u>18,471</u>	<u>(27,944)</u>
Net assets released from restrictions:			
HUD monthly requirement	(20,340)	20,340	-
Authorized HUD transfers, net	20,235	(20,235)	-
Total net assets released from restrictions	<u>(105)</u>	<u>105</u>	<u>-</u>
Changes in net assets	(46,520)	18,576	(27,944)
Net assets at beginning of year	<u>(861,193)</u>	<u>341,490</u>	<u>(519,703)</u>
Net assets at end of year	<u>\$ (907,713)</u>	<u>\$ 360,066</u>	<u>\$ (547,647)</u>

The accompanying notes are an integral part of the financial statements.

Catholic Ministry to the Elderly, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:	\$ (69,195)	\$ (27,944)
Changes in net assets		
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	94,323	94,323
Net appreciation of investments	(7,282)	(18,471)
(Decrease) increase in deferred rental income	(1,696)	5,365
Increase in accounts payable and accrued expenses	24,955	6,843
Net cash provided by operating activities	<u>41,105</u>	<u>60,116</u>
Cash flows from investing activities:	(20,340)	(20,340)
Deposits in investments	87,814	20,235
HUD authorized transfers	(61,825)	-
Purchase of buildings and improvements and equipment	<u>5,649</u>	<u>(105)</u>
Net cash used in investing activities		
Cash flows from financing activities:	(56,239)	(52,890)
Payments of mortgage payable	(56,239)	(52,890)
Net cash used in financing activities	(9,485)	7,121
Net (decrease) / increase in cash	<u>15,873</u>	<u>8,752</u>
Cash at beginning of year	\$ 6,388	\$ 15,873
Cash at end of year		
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 188,609</u>	<u>\$ 192,774</u>

The accompanying notes are an integral part of the financial statements.

Catholic Ministry to the Elderly, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

1. Summary of Significant Accounting Policies

Nature of Operations

Catholic Ministry to the Elderly, Inc. (the Ministry) was incorporated in the State of Delaware on January 6, 1978. The Ministry owns and operates the Marydale Retirement Community, a HUD subsidized housing project for low income elderly and handicapped individuals. The site on which the project is located was a gift from the Catholic Diocese Foundation. Construction was completed and occupancy of the apartments began on November 28, 1980.

Basis of Reporting

The Ministry reports using the accrual basis of accounting. 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.

Financial Statement Presentation

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three net asset classifications follows:

Unrestricted Net Assets include assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Temporarily Restricted Net Assets include replacement reserves and residual receipts that are temporarily restricted based on the terms of the Ministry's agreement with the Department of Housing and Urban Development (HUD).

Permanently Restricted Net Assets include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions. There are no permanently restricted net assets at June 30, 2002 and 2001.

Investments

Investments are stated at market value. Investment income on the statement of activities includes interest and dividends.

Building and Improvements and Equipment

Building and improvements and equipment are recorded at historical cost or fair market value at the date of donation, less accumulated depreciation. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the assets, ranging from 5 years to 40 years, on a straight-line basis.

Catholic Ministry to the Elderly, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Management does not believe that there are any impairments as of June 30, 2002 or 2001.

Contributed Services

The Ministry receives services from unpaid volunteers in organizing activities for residents of the community. The value of these contributed services is not reflected in the financial statements since the services provided by the volunteers do not require specialized skills and would not be purchased by the Ministry if the volunteer services were not available.

Reclassifications

Certain balances in the 2001 statements have been reclassified to conform to the 2002 presentation.

2. Investments

The Ministry, under terms of its agreement with HUD, has established accounts to segregate tenant security deposits, replacement reserves and residual receipts. These accounts comprise the investment amounts on the balance sheet. The funds, which are invested in money market accounts, are not available for current use without approval of HUD and, accordingly, have been classified as temporarily restricted assets.

The composition of investments as of June 30, 2002 and 2001 was as follows:

	2002	2001
Tenant security deposits	\$ 28,399	\$ 29,950
Replacement reserves	205,188	60,158
Residual receipts	<u>94,686</u>	<u>299,908</u>
	<u>\$ 328,273</u>	<u>\$ 390,016</u>

Replacement Reserves

The Ministry is required by HUD to deposit \$1,695 monthly into a restricted account. These funds are to be used only to fund extraordinary repair and maintenance items or to replace capital items.

Residual Receipts

The Ministry is also required by HUD to deposit any residual receipts at year-end into a restricted account. Any disbursements from this account must be approved by HUD. These funds are held in a custody account at Mellon Trust, which is managed by The Catholic Diocese of Wilmington, Inc. (the Diocese).

Catholic Ministry to the Elderly, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

3. Mortgage Payable

Significantly, all building and improvements are subject to a mortgage. The outstanding mortgage payable balance at June 30, 2002 and 2001 was \$2,443,008 and \$2,499,247, respectively. Payments are due in monthly installments of \$20,472, including interest at 7.625%, due in August, 2022. The following are maturities of the mortgage payable for each of the next five years and in aggregate:

2003	\$ 61,573
2004	66,436
2005	71,682
2006	77,343
2007	80,451
Thereafter	2,085,523

The interest expense on this mortgage during the years ended June 30, 2002 and 2001 was \$187,910 and \$192,774, respectively.

4. Pension Plan

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including the Ministry. The Plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined. Contributions to the Plan from the Ministry reflect an allocation by the Diocese based on Ministry eligible salaries as a percentage of total eligible salaries. The pension expense for the years ended June 30, 2002 and 2001 was \$6,423 and \$7,525, respectively, and is reflected in general and administrative expenses in the statement of activities.

5. Related Party Transactions

Certain members of the Ministry's Board of Directors are also members of the Finance Council of the Diocese.

The Diocese pays, on behalf of the Ministry, the group term life insurance and long-term disability benefits. These expenses are not reimbursed or reflected on the financial statements of the Ministry due to their immateriality.

As of June 30, 2002, the Ministry accrued approximately \$8,939 related to pension expense payable and \$3,000 accounts payable to the Diocese. This amount is included in accounts payable and accrued expenses on the balance sheet.

6. Income Taxes

The Ministry is a not-for-profit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) for the Internal Revenue Code.

Catholic Ministry to the Elderly, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

<u>Federal Grantor/Program Title</u>	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Section 8 Housing Assistance Payments	14.195	\$ 301,371

Catholic Ministry to the Elderly, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2002 and 2001

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activities in the federal assistance programs of the Ministry. All financial awards received directly from federal agencies are included on the schedule. 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*.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Management believes all federal awards considered necessary for a fair presentation in accordance with *Government Auditing Standards* have been included.

3. Relationship to Basic Financial Statements

Federal expenditures as reported on the Schedule of Expenditures of Federal awards agree to expenditures reported on the Statement of Activities.

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

To the Board of Directors
Catholic Ministry to the Elderly, Inc.
Wilmington, Delaware

We have audited the financial statements of Catholic Ministry to the Elderly, Inc. (the Ministry) as of and for the year ended June 30, 2002, and have issued our report thereon dated August 9, 2002. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the Ministry'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 Ministry'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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Ministry in a separate letter dated August 9, 2002.

This report is intended solely for the information and use of the Ministry's board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

August 9, 2002

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

To the Board of Directors
Catholic Ministry to the Elderly, Inc.
Wilmington, Delaware

Compliance

We have audited the compliance of Catholic Ministry to the Elderly, Inc. (the Ministry) 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 June 30, 2002. The Ministry's major federal program is identified in the Schedule of Expenditures of Federal Awards – Federal Program Detail in the Schedule of the U. S. Department of Housing and Urban Development Real Estate Assessment Center – Electronic Submission. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Ministry's management. Our responsibility is to express an opinion on the Ministry's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Ministry'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 on the Ministry's compliance with those requirements.

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

Internal Control over Compliance

The management of the Ministry is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Ministry'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 and use of the Ministry's board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

August 9, 2002

Catholic Ministry to the Elderly, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002

Financial Statements

- (i) Type of auditor's report issued: Unqualified
- (ii) Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Reportable condition(s) identified not considered to be
 material weaknesses? yes none reported
- (iii) Noncompliance material to financial statements noted? yes no

Federal Awards

- (iv) Internal control over major programs:
 Material weakness(es) identified? yes no
 Reportable condition(s) identified that are not considered
 to be material weaknesses? yes none reported
- (v) Type of auditor's report issued on compliance for major
 programs: Unqualified
- (vi) Any audit findings disclosed that are required to be reported
 in accordance with Circular A-133, Section .510(a)? yes no
- (vii) Identification of major programs:
- | Name of Federal Program or Cluster | CFDA Number(s) |
|-------------------------------------------------------------------------------------------|----------------|
| U.S. Department of Housing and Urban Development/
Section 8 Housing Assistance Program | 14.195 |
- (viii) Dollar threshold used to distinguish between Type A and
 Type B programs: \$300,000

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

CATHOLIC MINISTRY TO THE ELDERLY, INC.

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
HUD PROJECT NO. 032-EH002
for the years ended June 30, 1998 and 1997**

CATHOLIC MINISTRY TO THE ELDERLY, INC.

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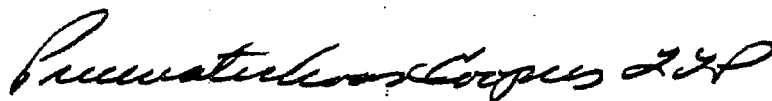
Independent Auditor's Report

To the Board of Directors
Catholic Ministry to the Elderly, Inc.
Wilmington, Delaware

In our opinion, the accompanying balance sheets and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Catholic Ministry to the Elderly, Inc. (the Ministry) HUD Project No. 032-EH002 as of June 30, 1998 and 1997 and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Ministry's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Ministry. 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 financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued reports dated August 7, 1998 on our consideration of the Ministry's internal controls, on the Ministry's compliance with specific requirements applicable to affirmative fair housing, and on the Ministry's compliance with specific requirements applicable to major HUD programs.



August 7, 1998

CATHOLIC MINISTRY TO THE ELDERLY, INC.

Balance Sheets as of June 30, 1998 and 1997

	1998			1997 Total
	Unrestricted	Temporarily Restricted	Total	
Assets:				
Cash	\$ 10,372		\$ 10,372	\$ 37,039
Investments		\$ 381,678	381,678	435,954
Rent receivable	126		126	-
Land	18,240		18,240	18,240
Building and improvements (net of accumulated depreciation of \$1,344,450 and \$1,258,793)	1,823,199		1,823,199	1,859,501
Equipment (net of accumulated depreciation of \$131,549 and \$118,714)	19,194		19,194	22,800
Total assets	<u>\$ 1,871,131</u>	<u>\$ 381,678</u>	<u>\$ 2,252,809</u>	<u>\$ 2,373,534</u>
Liabilities and net assets:				
Accounts payable and accrued expenses	44,198		44,198	41,425
Deferred rental income	247		247	-
Mortgage payable	2,646,586		2,646,586	2,688,692
Tenant security deposits	-	24,299	24,299	24,473
Total liabilities	<u>2,691,031</u>	<u>24,299</u>	<u>2,715,330</u>	<u>2,754,590</u>
Net assets:				
Unrestricted	(819,900)		(819,900)	(792,537)
Temporarily restricted	-	357,379	357,379	411,481
Total net assets	<u>(819,900)</u>	<u>357,379</u>	<u>(462,521)</u>	<u>(381,056)</u>
Total liabilities and net assets	<u>\$ 1,871,131</u>	<u>\$ 381,678</u>	<u>\$ 2,252,809</u>	<u>\$ 2,373,534</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC MINISTRY TO THE ELDERLY, INC.

Statement of Activities for the year ended June 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Rental income - dwelling units	\$ 190,535		\$ 190,535
Rental income - rent supplements	376,624		376,624
Investment income		\$ 17,348	17,348
Miscellaneous income	950		950
Total revenue	<u>568,109</u>	<u>17,348</u>	<u>585,457</u>
Expenses:			
General and administrative	96,790		96,790
Operating	44,195		44,195
Maintenance	167,176		167,176
Taxes and insurance	56,975		56,975
Interest on debt	203,294		203,294
Depreciation	98,492		98,492
Total expenses	<u>666,922</u>	<u>-</u>	<u>666,922</u>
(Deficiency)/excess of revenue over expenses	(98,813)	17,348	(81,465)
Net assets released from restrictions:			
HUD monthly requirement	(20,340)	20,340	
Authorized HUD transfers, net	91,790	(91,790)	
Total net assets released from restrictions	<u>71,450</u>	<u>(71,450)</u>	<u>-</u>
Changes in net assets	(27,363)	(54,102)	(81,465)
Net assets at beginning of year	<u>(792,537)</u>	<u>411,481</u>	<u>(381,056)</u>
Net assets at end of year	<u>\$ (819,900)</u>	<u>\$ 357,379</u>	<u>\$ (462,521)</u>

The accompanying notes are an integral
part of the financial statements.

CATHOLIC MINISTRY TO THE ELDERLY, INC.

Statement of Activities for the year ended June 30, 1997

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Rental income - dwelling units	\$ 200,003		\$ 200,003
Rental income - rent supplements	383,415		383,415
Investment income		\$ 20,074	20,074
Miscellaneous income	20,472		20,472
Total revenue	603,890	20,074	623,964
Expenses:			
General and administrative	103,394		103,394
Operating	42,029		42,029
Maintenance	157,373		157,373
Taxes and insurance	57,544		57,544
Interest on debt	206,395		206,395
Depreciation	93,566		93,566
Total expenses	660,301	-	660,301
(Deficiency)/excess of revenue over expenses	(56,411)	20,074	(36,337)
Net assets released from restrictions:			
HUD monthly requirement	(20,340)	20,340	-
Authorized HUD transfers, net	55,500	(55,500)	-
Total net assets released from restrictions	35,160	(35,160)	-
Changes in net assets	(21,251)	(15,086)	(36,337)
Net assets at beginning of year	(771,286)	426,567	(344,719)
Net assets at end of year	\$ (792,537)	\$ 411,481	\$ (381,056)

The accompanying notes are an integral
part of the financial statements.

CATHOLIC MINISTRY TO THE ELDERLY, INC.

Statements of Cash Flows for the years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Changes in net assets	\$ (81,465)	\$ (36,337)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	98,492	93,566
Investment income	(17,348)	(20,074)
Increase in rental receivable	(126)	-
Increase in deferred rental income	247	-
Increase in accounts payable and accrued expenses	<u>2,773</u>	<u>14,908</u>
Net cash provided by operating activities	<u>2,573</u>	<u>52,063</u>
Cash flows from investing activities:		
Net transfer from restricted funds	71,450	35,160
Purchase of buildings and improvements and equipment	<u>(58,584)</u>	<u>(41,971)</u>
Net cash provided by/(used in) investing activities	<u>12,866</u>	<u>(6,811)</u>
Cash flows from financing activities:		
Payments of mortgage payable	<u>(42,106)</u>	<u>(39,024)</u>
Net cash used in financing activities	<u>(42,106)</u>	<u>(39,024)</u>
Net (decrease)/increase in cash	(26,667)	6,228
Cash at beginning of year	<u>37,039</u>	<u>30,811</u>
Cash at end of year	<u>\$ 10,372</u>	<u>\$ 37,039</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 203,561</u>	<u>\$ 206,643</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC MINISTRY TO THE ELDERLY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Operations:

Catholic Ministry to the Elderly, Inc. (the Ministry) was incorporated in the State of Delaware on January 6, 1978. The Ministry owns and operates the Marydale Retirement Community, a HUD subsidized housing project for low income elderly and handicapped individuals. The site on which the project is located was a gift from the Catholic Diocese Foundation. Construction was completed and occupancy of the apartments began on November 28, 1980.

Basis of Reporting:

The Ministry reports using the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Financial Statement Presentation:

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted Net Assets are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Temporarily Restricted Net Assets include gifts for which donor imposed restrictions have not been met and trust activity and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Financial Statement Presentation, continued:

Permanently Restricted Net Assets include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Investments:

Investments are stated at cost, which approximates market value. Investment income on the statement of activities includes interest, net of consulting and custodial costs.

Building and Improvements and Equipment:

Building and improvements and equipment are recorded at cost. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are to be capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Management does not believe that there are any material impairments as of June 30, 1998 or 1997.

Contributed Services:

The Ministry receives services from unpaid volunteers in organizing activities for residents of the community. The value of these contributed services is not reflected in the financial statements since the services provided by the volunteers do not require specialized skills and would not be purchased by the Ministry if the volunteer services were not available.

2. Investments:

The Ministry, under terms of its agreement with the Department of Housing and Urban Development, has established accounts to segregate tenant security deposits, replacement reserves and residual receipts. These accounts comprise the investment amounts on the balance sheet. The funds, which are invested in money market accounts, are not available for current use without approval of HUD and, accordingly, have been classified as temporarily restricted assets.

Notes to Financial Statements, Continued

2. Investments, continued:

The composition of investments as of June 30, 1998 and 1997 was as follows:

	<u>1998</u>	<u>1997</u>
Tenant security deposits	\$ 24,299	\$ 24,473
Replacement reserves	39,434	45,675
Residual receipts	<u>317,945</u>	<u>365,806</u>
	<u>\$ 381,678</u>	<u>\$ 435,954</u>

Tenant Security Deposits:

The Ministry collects a security deposit on each unit. These funds are maintained in an account separate from that used for general project operations.

Replacement Reserves:

The Ministry is required by HUD to deposit \$1,695 monthly into a restricted account. These funds are to be used only to fund extraordinary repairment and maintenance items or the replacement of capital items.

Residual Receipts:

The Ministry is also required by HUD to deposit any residual receipts at year-end into a restricted account. Any disbursements from this account must be approved by HUD.

These funds are held in a custody account at Delaware Trust Capital Management, which is managed by The Catholic Diocese of Wilmington (the "Diocese").

3. Mortgage Payable:

The outstanding mortgage payable balances at June 30, 1998 and 1997 were \$2,646,586 and \$2,688,692, respectively. Payments are due in monthly installments of \$20,472 including interest at 7.625%, due in August 2022. Following are maturities of the mortgage payable for each of the next five years and in aggregate:

1999	\$ 45,431
2000	49,018
2001	52,890
2002	57,066
2003	61,573
2004 and thereafter	2,380,608

The interest expense on this mortgage during the years ended June 30, 1998 and 1997 was \$203,294 and \$206,395, respectively.

Notes to Financial Statements, Continued

4. Pension Plan:

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including the Ministry. The Plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined. Contributions to the Plan from the Ministry reflect an allocation by the Diocese based on Ministry eligible salaries as a percentage of total eligible salaries. The pension expense for the years ended June 30, 1998 and 1997 was \$5,300 and \$5,200, respectively, and is reflected in general and administrative expenses in the statement of activities. The 1998 amount includes \$3,700 for the lay employees and \$1,600 for the religious employees. The 1997 amount includes \$3,600 for the lay employees and \$1,600 for the religious employees.

5. Related Party Transactions:

Certain members of the Ministry's Board of Directors are also members of the Finance Council of the Diocese.

The Diocese pays, on behalf of the Ministry, the group term life insurance and long-term disability benefits. These expenses are not reimbursed or reflected on the financial statements of the Ministry.

6. Income Taxes:

The Ministry is a not-for-profit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) for the Internal Revenue Code.

SUPPLEMENTAL SCHEDULES

CATHOLIC MINISTRY TO THE ELDERLY, INC.

Supplemental Schedule of Expenses for the years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
General and administrative expenses:		
Office salaries	\$ 32,289	\$ 32,368
Office expenses	5,216	3,155
Pension	5,300	5,200
Manager salaries	34,316	32,017
Auditing expense	7,500	14,600
Telephone	4,927	4,807
Miscellaneous administrative expenses	<u>7,242</u>	<u>11,247</u>
Total administrative expenses	<u>96,790</u>	<u>103,394</u>
Operating expenses:		
Janitor supplies	1,004	1,105
Gasoline, oil, and grease	2,120	2,548
Electric	19,705	15,936
Water	9,779	9,365
Exterminating contract	700	2,180
Trash removal	9,455	9,423
Miscellaneous operating expenses	<u>1,432</u>	<u>1,472</u>
Total operating expenses	<u>44,195</u>	<u>42,029</u>
Maintenance expenses:		
Grounds, supplies, and replacements	23,230	22,238
Repairs payroll	60,923	57,822
Repairs material	30,776	31,463
Repairs contracts	49,716	44,314
Motor vehicle repairs	<u>2,531</u>	<u>1,536</u>
Total maintenance expenses	<u>167,176</u>	<u>157,373</u>
Taxes and insurance:		
Payroll taxes	7,237	6,301
Insurance	<u>49,738</u>	<u>51,243</u>
Total taxes and insurance	<u>56,975</u>	<u>57,544</u>
Interest on debt	203,294	206,395
Depreciation expense	<u>98,492</u>	<u>93,566</u>
Total expenses	<u>\$ 666,922</u>	<u>\$ 660,301</u>

CATHOLIC MINISTRY TO THE ELDERLY, INC.

**Supplemental Data Required by HUD
as of June 30, 1998**

Statements of Accounts/Notes Receivable Not applicable.

Statement of Delinquent Accounts Receivable Not applicable.

Schedule of Mortgage Escrow Deposits

Catholic Ministry to the Elderly, Inc. is not subject to property taxes due to its tax-exempt status. The insurance is presently paid from non-escrowed funds as it is billed.

Tenant Security Deposits \$24,299

The above deposits are held in a separate account identified as security deposits.

Repair and Replacement Funds and Residual Receipts \$357,379

The following sets forth Repair and Replacement Funds (held by PNC Bank, N.A.) and Residual Receipts (held by CoreStates Bank, N.A.)

	Repair and Replacement Funds	Residual Receipts	Totals
Balance as of June 30, 1997	\$ 45,675	\$ 365,806	\$ 411,481
Additions:			
Investment income	1,746	15,602	17,348
Reserve for replacement monthly deposits	20,340		20,340
Deductions:			
Authorized transfers to operating account	(28,327)A	(63,463)A	(91,790)
Balance as of June 30, 1998	<u>\$ 39,434</u>	<u>\$ 317,945</u>	<u>\$ 357,379</u>

(A) Details of transfers to operating account

<u>Authorization Date</u>	<u>Amount</u>	<u>Authorization Date</u>	<u>Amount</u>
September 1997	\$ 5,390	September 1997	\$ 36,660
June 1998	22,937	November 1997	26,803
	<u>\$ 28,327</u>		<u>\$ 63,463</u>

Schedule of Accounts Payable

This account represents routine trade payables.

CATHOLIC MINISTRY TO THE ELDERLY, INC.

**Supplemental Data Required by HUD, Continued
June 30, 1998**

Schedule of Accrued Taxes Not applicable.

Schedule of Compensation of Partners Not applicable.

Schedule of Changes in Fixed Assets

	Assets		
	Balance 6/30/97	Additions	Balance 6/30/98
Land	\$ 18,240		\$ 18,240
Buildings	2,982,184		2,982,184
Improvements	136,110	\$ 49,355	185,465
Equipment	53,129	3,839	56,968
Furniture	40,881	5,390	46,271
Automobiles	47,504		47,504
Totals	\$ 3,278,048	\$ 58,584	\$ 3,336,632

	Accumulated Depreciation			
	Balance 6/30/97	Additions	Balance 6/30/98	Net Book Value
Land	-	-	-	\$ 18,240
Buildings	\$ 1,230,758	\$ 74,608	\$ 1,305,366	1,676,818
Improvements	28,035	11,049	39,084	146,381
Equipment	44,193	3,035	47,228	9,740
Furniture	38,300	2,278	40,578	5,693
Automobiles	36,221	7,522	43,743	3,761
Totals	\$ 1,377,507	\$ 98,492	\$ 1,475,999	1,860,633

Statement of Receipts and Disbursements

Per Notice H 90-8 (HUD), this statement has been eliminated and the Statement of Cash Flows has been presented using the indirect method.

Schedule of Identity of Interest Firms

None.

**Computation of Surplus Cash,
Distributions and Residual
Receipts**

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Project Name **MaryDale Retirement Com. Catholic Ministry to the Elderly, Inc.** Fiscal Period Ended: **6 / 30 / 98** Project Number **032-EH002**
Part A - Compute Surplus Cash

Cash

1. Cash (Accounts 1110, 1120, 1191, 1192)	\$	34,671	
2. Tenant subsidy vouchers due for period covered by financial statement	\$	0	
3. Other (describe)	\$	0	
(a) Total Cash (Add Lines 1, 2, and 3)	\$		34,671

Current Obligations

4. Accrued mortgage interest payable	\$	16,817	
5. Delinquent mortgage principal payments	\$	0	
6. Delinquent deposits to reserve for replacements	\$	0	
7. Accounts payable (due within 30 days)	\$	9,209	
8. Loans and notes payable (due within 30 days)	\$	0	
Deficient Tax Insurance or MIP Escrow Deposits	\$	0	
10. Accrued expenses (not escrowed)	\$	18,172	
11. Prepaid Rents (Account 2210)	\$	247	
12. Tenant security deposits liability (Account 2191)	\$	24,299	
13. Other (Describe)	\$	0	
(b) Less Total Current Obligations (Add Lines 4 through 13)	\$		68,744
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))	\$		(34,073)

Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts

1. Surplus Cash	\$		0
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Limited Dividend Projects

2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	\$	0	
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	\$	0	
2c. Distributions Paid During Fiscal Period Covered by Statement	\$	0	
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$	0	
Amount Available for Distribution During Next Fiscal Period	\$		0
5. Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)	\$		0

Prepared By _____ Date _____ Loan Technician _____
Reviewed By _____ Date _____ Loan Servicer _____

Independent Auditor's Report on Internal Controls

To the Board of Directors
Catholic Ministry to the Elderly, Inc.
Wilmington, Delaware

We have audited the financial statements of Catholic Ministry to the Elderly, Inc. (the Ministry) HUD Project No. 032-EH002 as of and for the year ended June 30, 1998, and have issued our report thereon dated August 7, 1998. We have also audited the Ministry's compliance with requirements applicable to HUD-assisted programs and have issued our reports thereon dated August 7, 1998.

We have conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the "Consolidated Audit Guide for Audits of HUD Programs" (the Guide), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Ministry complied with laws and regulations, noncompliance with which would be material to a HUD-assisted program.

In planning and performing our audits, we obtained an understanding of the design of relevant internal controls and determined whether they had been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of the Ministry and on its compliance with specific requirements applicable to its major HUD-assisted programs and to report on internal controls in accordance with the provisions of the Guide and not to provide any assurance on internal controls.

The management of the Ministry is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and that HUD-assisted programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal controls, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We performed tests of controls, as required by the Guide, to evaluate the effectiveness of the design and operation of internal controls that we considered relevant to preventing or detecting material noncompliance with specific requirements applicable to the Ministry's HUD-assisted programs. Our procedures were less in scope than would be necessary to render an opinion on internal control policy and procedures. Accordingly, we do not express such an opinion.

A material weakness is a reportable 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 errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a HUD-assisted program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters in internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as disclosed above.

We also noted other matters involving internal controls and their operations that we have reported to the management of the Ministry in a separation communication dated August 7, 1998.

This report is intended for the information of management and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Suzanne A. Cooper".

August 7, 1998

**Independent Auditor's Report on Compliance with Specific
Requirements Applicable to Fair Housing and Non-Discrimination**

To the Board of Directors
Catholic Ministry to the Elderly, Inc.
Wilmington, Delaware

We have audited the financial statements of Catholic Ministry to the Elderly, Inc. (the Ministry) HUD Project No. 032-EH002 as of and for the year ended June 30, 1998, and have issued our report thereon dated August 7, 1998.

We have applied procedures to test the Ministry's compliance with Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted programs, for the year ended June 30, 1998.

Our procedures were limited to the applicable compliance requirement described in the "Consolidated Audit Guide for Audits of HUD Programs" issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. Our procedures were substantially less in scope than an audit, the objective of which would be the expression of an opinion on the Ministry's compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

This report is intended for the information of management and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

August 7, 1998

**Independent Auditor's Report on Compliance with
Specific Requirements Applicable to Major HUD Programs**

To the Board of Directors
Catholic Ministry to the Elderly, Inc.
Wilmington, Delaware

We have audited the financial statements of Catholic Ministry to the Elderly, Inc. (the Ministry) HUD Project No. 032-EH002 as of and for the year ended June 30, 1998 and have issued our report thereon dated August 7, 1998. In addition, we have audited the Ministry's compliance with the specific program requirements governing

- Management, maintenance, and replacement reserve
- Federal financial reports
- Application, eligibility and re-examination of tenants
- Security deposits
- Mortgage status
- Residual receipts
- Cash receipts and disbursements

that are applicable to each of its major HUD-assisted programs, for the year ended June 30, 1998. The management of the Ministry is responsible for compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the "Consolidated Audit Guide for Audits of HUD Programs" (the Guide) issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Ministry's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Ministry complied, in all material respects, with the requirements described above that are applicable to each of its major HUD-assisted programs for the year ended June 30, 1998.

This report is intended for the information of management and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Freewaterhouse Coopers LLP

August 7, 1998

CATHOLIC MINISTRY TO THE ELDERLY, INC.

**Schedule of Findings and Questioned Costs
June 30, 1998**

Current Year Findings

None noted.

Prior Year Findings

None noted.

CATHOLIC MINISTRY TO THE ELDERLY, INC.

Supplementary Data

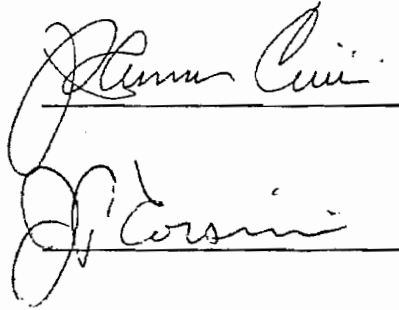
Certificate of Officers

HUD Project No. 032-EH002

E.I. No. 51-0255891

June 30, 1998

We hereby certify that we have examined the accompanying financial statements, supporting schedules, and supplementary data of the Catholic Ministry to the Elderly, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.



The image shows two handwritten signatures in cursive. The top signature is written above a horizontal line, and the bottom signature is also written above a horizontal line. The signatures appear to be of the same person or are related to the same entity.

August 7, 1998

Statement of Profit and Loss

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0052 (Exp. 9/30/98)

This reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2502-0052), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Do not send this form to the above address.

For Month/Period
Beginning: 7/1/97

Ending: 6/30/98

Project Number:
032-EH002

Project Name: MaryDale Retirement Community/
Catholic Ministry to the Elderly, Inc.

Part I	Description of Account	Acct. No.	Amount*
	Apartments or Member Carrying Chargés (Coops)	5120	\$ 190,535
	Tenant Assistance Payments	5121	\$ 376,624
	Furniture and Equipment	5130	\$ 0
Rental Income 5100	Stores and Commercial	5140	\$ 0
	Garage and Parking Spaces	5170	\$ 0
	Flexible Subsidy Income	5180	\$ 0
	Miscellaneous (specify)	5190	\$ 0
	Total Rent Revenue Potential at 100% Occupancy		\$ 567,159
	Apartments	5220	(0)
	Furniture and Equipment	5230	(0)
Vacancies 5200	Stores and Commercial	5240	(0)
	Garage and Parking Spaces	5270	(0)
	Miscellaneous (specify)	5290	(0)
	Total Vacancies		(0)
	Net Rental Revenue Rent Revenue Less Vacancies		\$ 567,159
	Elderly and Congregate Services Income—5300		
	Total Service Income (Schedule Attached)	5300	\$
	Interest Income—Project Operations	5410	\$ 0
Financial Revenue 5400	Income from Investments—Residual Receipts	5430	\$ 15,602
	Income from Investments—Reserve for Replacement	5440	\$ 1,746
	Income from Investments—Miscellaneous	5490	\$ 950
	Total Financial Revenue		\$ 18,298
	Laundry and Vending	5910	\$ 0
	NSF and Late Charges	5920	\$ 0
Other Revenue 5900	Damages and Cleaning Fees	5930	\$ 0
	Forfeited Tenant Security Deposits	5940	\$ 0
	Other Revenue (specify)	5990	\$ 0
	Total Other Revenue		\$ 0
	Total Revenue		\$ 585,457
	Advertising	6210	\$ 0
	Other Administrative Expense	6250	\$ 7,242
	Office Salaries	6310	\$ 32,289
	Office Supplies	6311	\$ 5,216
	Office or Model Apartment Rent	6312	\$ 0
Administrative Expenses 6200/6300	Management	6320	\$ 0
	Manager or Superintendent Salaries	6330	\$ 34,316
	Manager or Superintendent Rent Free Unit	6331	\$ 0
	Legal Expenses (Project)	6340	\$ 0
	Auditing Expenses (Project)	6350	\$ 7,500
	Bookkeeping Fees/Accounting Services	6351	\$ 0
	Telephone and Answering Service	6360	\$ 4,927
	Bad Debts	6370	\$ 0
	Miscellaneous Administrative Expenses (specify)	6390	\$ 5,300
	Total Administrative Expenses		\$ 96,790
	Fuel Oil/Coal	6420	\$ 0
Utilities Expense 6400	Electricity (Light and Misc. Power)	6450	\$ 19,705
	Water	6451	\$ 9,779
	Gas	6452	\$ 2,120
	Sewer	6453	\$ 0
	Total Utilities Expense		\$ 31,604

*All amounts must be rounded to the nearest dollar; \$.50 and over,

form HUD-92410 (7/91)

	Janitor and Cleaning Payroll	6510	\$	0	
	Janitor and Cleaning Supplies	6515	\$	1,004	
	Janitor and Cleaning Contract	6517	\$	0	
	Exterminating Payroll/Contract	6519	\$	700	
	Exterminating Supplies	6520	\$	0	
	Garbage and Trash Removal	6525	\$	9,455	
	Security Payroll/Contract	6530	\$	0	
	Grounds Payroll	6535	\$	0	
	Grounds Supplies	6536	\$	0	
Operating and Maintenance Expenses 6500	Grounds Contract	6537	\$	23,230	
	Repairs Payroll	6540	\$	60,923	
	Repairs Material	6541	\$	30,776	
	Repairs Contract	6542	\$	49,716	
	Elevator Maintenance/Contract	6545	\$	0	
	Heating/Cooling Repairs and Maintenance	6546	\$	0	
	Swimming Pool Maintenance/Contract	6547	\$	0	
	Snow Removal	6548	\$	0	
	Decorating Payroll/Contract	6560	\$	0	
	Decorating Supplies	6561	\$	0	
	Other	6570	\$	0	
	Miscellaneous Operating and Maintenance Expenses	6590	\$	3,963	
	Total Operating and Maintenance Expenses				\$ 179,767
		Real Estate Taxes	6710	\$	0
	Payroll Taxes (FICA)	6711	\$	7,237	
	Miscellaneous Taxes, Licenses and Permits	6719	\$	0	
Taxes and Insurance 6700	Property and Liability Insurance (Hazard)	6720	\$	28,775	
	Fidelity Bond Insurance	6721	\$	0	
	Workmen's Compensation	6722	\$	530	
	Health Insurance and Other Employee Benefits	6723	\$	20,433	
	Other Insurance (specify)	6729	\$	0	
	Total Taxes and Insurance				\$ 56,975
	Interest on Bonds Payable	6810	\$	0	
	Interest on Mortgage Payable	6820	\$	203,294	
Financial Expenses 6800	Interest on Notes Payable (Long-Term)	6830	\$	0	
	Interest on Notes Payable (Short-Term)	6840	\$	0	
	Mortgage Insurance Premium/Service Charge	6850	\$	0	
	Miscellaneous Financial Expenses	6890	\$	0	
	Total Financial Expenses			\$ 203,294	
Elderly & Congregate Service Expenses 6900	Total Service Expenses—Schedule Attached	6900			\$ 568,430
	Total Cost of Operations Before Depreciation				\$ 17,027
	Profit (Loss) Before Depreciation				\$ 98,492
	Depreciation (Total)—6600 (specify)	6600			\$ (81,465)
	Operating Profit or (Loss)				
	Officer Salaries	7110	\$		
Corporate or Mortgagor Entity Expenses 7100	Legal Expenses (Entity)	7120	\$		
	Taxes (Federal-State-Entity)	7130-32	\$		
	Other Expenses (Entity)	7190	\$		
	Total Corporate Expenses				\$ 0
	Net Profit or (Loss)				\$ (81,465)

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)
Miscellaneous or other Income and Expense Sub-account Groups. If miscellaneous or other income and/or expense sub-accounts (5190, 5290, 5490, 5990, 6390, 6590, 6729, 6890, and 7190) exceed the Account Groupings by 10% or more, attach a separate schedule describing or explaining the miscellaneous income or expense.

Part II

- Total principal payments required under the mortgage, even if payments under a Workout Agreement are less or more than those required under the mortgage. \$ 42,106
- Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived. \$ 20,340
- Replacement or Painting Reserve releases which are included as expense items on this Profit and Loss statement \$ 43,123
- Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement. \$ 0

* All amounts must be rounded to the nearest dollar; \$.50 and over,

Budget Worksheet
Income and Expense Projections

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0324 (exp. 9/30/98)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Project Number: **032-EH-002** Name of Project: **Catholic Ministry to the Elderly-Marydale** 7/01/02 - 6/30/03

Description of Account	Acct.No.	HUD-92410 audited last FY01	Current FY02 (no. of mos: 9)	Budget from (02) to (03)
Rental Income 5100	Apartments or Member Carrying Charges (Coops)	5120		
	Tenant Assistance Payments	5121		
	Furniture and Equipment	5130		
	Stores and Commercial	5140		
	Garage and Parking Spaces	5170		
	Flexible Subsidy Income	5180		
	Miscellaneous (specify)	5190		
	Total Rent Revenue Potential at 100% Occupancy		597,456	451,548
Vacancies 5200	Apartments	5220		
	Furniture and Equipment	5230		
	Stores and Commercial	5240		
	Garage and Parking Spaces	5270		
	Miscellaneous (specify)	5290		
	Total Vacancies		15,934	14,552
	Net Rental Revenue (Rent Revenue less Vacancies)		581,522	436,996
Elderly & Congregate Svcs. Income 5300	Total Service Income (schedule attached)	5300	581,522	436,996
Financial Revenue 5400	Interest Income-Project Operations	5410		
	Income from Investments-Residual Receipts	5430	17,094	6,423
	Income from Investments-Reserve for Replacement	5440	1,377	503
	Income from Investments-Miscellaneous	5490		165
	Total Financial Revenue		18,471	7,091
Other Revenue 5900	Laundry and Vending	5910		
	NSF and Late Charges	5920		
	Damages and Cleaning Fees	5930		
	Forfeited Tenant Security Deposits	5940		
	Other Revenue (specify)	5990		
	Total Other Revenue			
	Total Revenue		599,993	444,087
Admin. Expenses 6200/ 6300	Advertising	6210		1,012
	Other Renting Expense	6250		
	Office Salaries	6310		39,700
	Office Supplies	6311		28,736
	Office or Model Apartment Rent	6312		9,396
	Management Fee	6320		
	Manager or Superintendent Salaries	6330		33,750
	Manager or Superintendent Rent Free Unit	6331		46,800
	Legal Expenses (Project)	6340		
	Auditing Expenses (Project)	6350		
	Bookkeeping Fees/Accounting Services	6351		9,000
	Telephone and Answering Services	6360		
	Miscellaneous Administrative Expenses (specify)	6390		7,105
	Total Administrative Expenses		113,487	2,894
	Sub Total Expenses (carry forward to p. 2)		113,487	91,893
			113,487	91,893

Description of Account	Acct.No.	HUD-92410 audited last FY 01	Current FY 02 (no. of mos: 9)	Budget from (02) to (03)	
Sub Total Expense (carried forward from p. 1)			113,487	91,893	114,500
Utilities 400					
Fuel Oil/Coal	6420				
Electricity	6450			10,945	15,000
Water	6451			7,956	10,500
Gas	6452				
Sewer	6453				
Total Utilities Expense			27,100	18,901	25,500
Operating & Maintan. Expenses 4500					
Janitor and Cleaning Payroll	6510				
Janitor and Cleaning Supplies	6515			445	600
Janitor and Cleaning Contract	6517				
Exterminating Payroll/Contract	6519			1,125	1,500
Exterminating Supplies	6520				
Garbage and Trash Removal	6525			4,249	6,000
Security Payroll/Contract	6530				
Grounds Payroll	6535				
Grounds Supplies	6536				
Grounds Contract	6537			20,258	18,650
Repairs Payroll	6540			37,483	51,320
Repairs Material	6541			14,574	13,000
Repairs Contract	6542			19,786	25,000
Elevator Maintenance/Contract	6545				
Heating/Cooling Repairs and Maintenance	6546				
Swimming Pool Maintenance/Contract	6547				
Snow Removal	6548				2,000
Decorating Payroll/Contract	6560				
Decorating Supplies	6561				
Vehicle & Maint. Equip. Operation and Repairs	6570			1,697	2,200
Misc. Operating & Maintenance Expenses	6590			1,677	2,200
Total Operating & Maintenance Expenses			159,637	101,314	122,470
Taxes and Insurance 6700					
Real Estate Taxes	6710				
Payroll Taxes (FICA)	6711			7,374	10,000
Miscellaneous Taxes, Licenses and Permits	6719			45	45
Property and Liability Insurance (Hazard)	6720			26,190	35,000
Fidelity Bond Insurance	6721				
Workman's Compensation	6722			370	500
Health Insurance & Other Employee Benefits	6723			23,707	31,800
Other Insurance (specify) PENSION	6729				6,000
Total Taxes & Insurance			67,717	57,686	83,345
Financial Expenses 6800					
Interest on Bonds Payable	6810				
Interest on Mortgage Payable	6820		192,774	141,868	184,096
Interest on Notes Payable (Long-Term) *	6830				
Interest on Notes Payable (Short-Term) *	6840				
Mortgage Insurance Premium/Service Charge	6850				
Miscellaneous Financial Expenses	6890				
Total Financial Expenses			192,774	141,868	184,096
Elderly & Congregate Svcs. Expenses 6900					
Total Service Expenses (schedule attached)					
Reserve for Replacements Dep. Req.			20,340	15,255	20,340
Painting Reserve					
Principal Payments Req.			52,893	42,383	61,573
Debt Service (Sec. 241 & other approved loans)					
Debt Service Reserve (202)					
General Operating Reserve					
Total Cost of Operations			633,948	469,300	611,824
Less Total Revenue			599,993	444,087	611,824
Excess (Deficiency) Income Over Expenses			(33,955)	(25,213)	0

We hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
 Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

(Signature) *Donald [unclear]*

Date
4/18/02

* HUD Approved Secondary Financing Only for Budget Projections.
 Edition dated 2/92 may be used until supply is exhausted

Catholic Diocese of Wilmington
XXIII. FINANCIAL STATE OF THE DIOCESE
Statistical Index

Entity: Catholic Youth Organization, Inc.

Enclosures:

- Audited Financial Statements for the years ended June 30, 2002 and 2001
- Audited Financial Statements for the years ended June 30, 2000 and 1999
- Audited Financial Statements for the years ended June 30, 1998 and 1997
- Budget summary for the year ending June 30, 2003

Catholic Youth Organization, Inc.

**Financial Statements and Supplemental Schedule
For the Years Ended June 30, 2002 and 2001**

Catholic Youth Organization, Inc.
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Report of Independent Accountants

To the Board of Directors
Catholic Youth Organization, Inc.
Wilmington, Delaware

In our opinion, the accompanying balance sheets and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of Catholic Youth Organization, Inc. (CYO) at June 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. These financial statements are the responsibility of CYO's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of administrative expenses for the year ended June 30, 2002 with comparative totals for the year ended June 30, 2001 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information as of June 30, 2002 and 2001 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.

PricewaterhouseCoopers LLP

September 27, 2002

Catholic Youth Organization, Inc.
Balance Sheets
As of June 30, 2002 and 2001

	2002	2001
Assets:		
Cash	\$ 50,772	\$ 36,283
Pooled investments	173,170	194,651
Prepaid expenses	-	12,555
Total assets	<u>\$223,942</u>	<u>\$243,489</u>
Liabilities and net assets:		
Accounts payable and accrued expenses	\$ 41,862	\$ 58,437
Deferred support	49,932	8,534
Total liabilities	<u>91,794</u>	<u>66,971</u>
Net assets:		
Unrestricted	55,081	88,563
Unrestricted - designated	77,067	87,955
Total net assets	<u>132,148</u>	<u>176,518</u>
Total liabilities and net assets	<u>\$223,942</u>	<u>\$243,489</u>

The accompanying notes are an integral part of the financial statements.

Catholic Youth Organization, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2002 and 2001

	2002	2001
Revenue and other support:		
Contributions	\$ 6,582	\$ 11,506
Government grants	23,849	22,931
United Way	126,543	140,688
Catholic Diocese of Wilmington, Inc.	129,900	123,504
Program fees	177,636	149,242
Special event fees	134,526	19,006
Fundraising revenues	50,154	59,101
Pooled investment loss	(13,981)	(7,223)
Other	2,948	2,032
Contributed facilities usage	350,000	325,000
Net assets released from restrictions	-	19,500
Total revenue and other support	<u>988,157</u>	<u>865,287</u>
Expenses:		
Program services:		
Athletics	198,432	201,752
Athletics – contributed facilities usage	350,000	325,000
Youth at risk	86,713	78,808
Leadership development	226,984	163,359
Total program services	<u>862,129</u>	<u>768,919</u>
Supporting services:		
Management and general	153,574	151,719
Fundraising	16,824	14,511
Total supporting services	<u>170,398</u>	<u>166,230</u>
Total expenses	<u>1,032,527</u>	<u>935,149</u>
Decrease in unrestricted net assets	(44,370)	(69,862)
Temporarily restricted revenue and other support:		
Released from restriction	-	(19,500)
Total changes in net assets	<u>(44,370)</u>	<u>(89,362)</u>
Net assets at beginning of year	<u>176,518</u>	<u>265,880</u>
Net assets at end of year	<u>\$ 132,148</u>	<u>\$ 176,518</u>

The accompanying notes are an integral part of the financial statements.

Catholic Youth Organization, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Changes in net assets	\$ (44,370)	\$ (89,362)
Depreciation	-	3,591
Net depreciation on pooled investments	17,052	12,788
Changes in assets and liabilities:		
Prepaid expenses	12,555	(12,205)
Accounts payable and accrued expenses	(16,575)	27,056
Deferred support	41,398	2,219
Net cash provided by operating activities	<u>10,060</u>	<u>(55,913)</u>
Cash flows from investing activities:		
Reinvestment of interest and dividends into pooled investments	(3,071)	(5,565)
Transfers from pooled investments	7,500	69,500
Net cash provided by (used in) investing activities	<u>4,429</u>	<u>63,935</u>
Net increase in cash	14,489	8,022
Cash at beginning of year	<u>36,283</u>	<u>28,261</u>
Cash at end of year	<u>\$ 50,772</u>	<u>\$ 36,283</u>

The accompanying notes are an integral part of the financial statements.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

1. Summary of Significant Accounting Policies

Nature of Operations

Catholic Youth Organization, Inc. (CYO) is part of the Catholic Diocese of Wilmington, Inc. (the Diocese). CYO's purpose is to provide a variety of educational, social, recreational, and spiritual activities for youth between the ages of nine and nineteen to contribute to the development of mature men and women who reflect in their lives the values of the gospel. While CYO's primary purpose is to serve Catholic youth, the organization's services are available to any youth, regardless of religious affiliation.

CYO's approach to Christian formation emphasizes the involvement of youth in locally organized programs. Assistance by CYO is provided to the parish groups in the following ways:

- Organizational planning for parish programs
- Leadership training for youth
- Adult training in youth work and athletics
- Consultation and program planning with parish personnel
- Direct administration of Diocesan-wide activities in recreational, social, spiritual and community services areas

Effective July 1, 2000, the financial statements of CYO, Inc. include the activities of the Youth Ministry Office. These activities were previously included in the financial statements of the Diocese of Wilmington. These additional services focus on non-athletic activities consistent with the nature of operations described above.

Basis of Reporting

CYO reports using the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Financial Statement Presentation

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three net asset classifications follows:

Unrestricted Net Assets include those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Temporarily Restricted Net Assets include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

Permanently Restricted Net Assets include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

All net assets of CYO are unrestricted as of June 30, 2002. CYO had assets which were temporarily restricted as of June 30, 2000, which were utilized for the purpose imposed by the donor during the fiscal year ended June 30, 2001.

Contributions

Noncash contributions are recorded at fair value on the date of donation. Contributions of cash and other non-capital assets are reported as temporarily restricted operating revenue if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions which are received and expended within the same fiscal year are reported as unrestricted revenues.

Pooled Investments

Pooled investments are stated at fair value. Pooled investment income on the statement of activities includes interest, dividends, and realized and unrealized gains and losses, net of consulting and custodial costs.

CYO participates with the Diocese and other affiliated organizations in an investment pool which is held in a custody account at Mellon Trust. The pool is invested in a combination of fixed income and equity securities and mutual funds.

The investment pool is exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the market value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Furniture and Equipment

Furniture and equipment are recorded at cost. CYO records depreciation using the straight-line method. Furniture is depreciated over an estimated useful life of five years, while equipment is depreciated over an estimated useful life of five to seven years. At June 30, 2002 and 2001, all furniture and equipment is fully depreciated.

Contributed Services and Facilities

CYO records the fair value of contributed services which would ordinarily be purchased from individuals with specialized skills. Services from other non-specialized volunteers are not reflected in the financial statements of CYO.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

CYO also records in revenues and expenses the difference between the estimated fair value of donated facilities usage costs and amounts paid for their use.

Reclassifications

Certain balances in the 2001 statements have been reclassified to conform to the 2002 presentation.

2. Pooled Investments

The composition of pooled investments as of June 30, 2002 and 2001 was as follows:

	2002	2001
Cash and cash equivalents	\$ 621	\$ 607
Fixed income	51,998	55,672
Domestic equity	93,379	110,722
International equity	27,172	27,650
Total pooled investments	<u>\$ 173,170</u>	<u>\$ 194,651</u>

The fair value of these investments was determined based on quoted market prices at June 30, 2002 and 2001.

Pooled investment income (loss) for the years ended June 30, 2002 and 2001 consisted of the following:

	2002	2001
Interest and dividends	\$ 3,071	\$ 5,565
Net depreciation	<u>(17,052)</u>	<u>(12,788)</u>
Pooled investment loss	<u>\$ (13,981)</u>	<u>\$ (7,223)</u>

The pooled investment income was net of custodial and advisory fees in the amount of \$1,271 and \$1,562 for the years ended June 30, 2002 and 2001, respectively.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

3. Furniture and Equipment

At June 30, 2002 and 2001, furniture and equipment consisted of the following:

	2002	2001
Office equipment and furniture	\$ 30,419	\$ 30,419
Computer equipment	18,040	18,040
Improvements	2,065	2,065
	<u>50,524</u>	<u>50,524</u>
Accumulated depreciation	<u>(50,524)</u>	<u>(50,524)</u>
	<u>\$ -</u>	<u>\$ -</u>

4. Pension Plan

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including CYO. The plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined in the Plan documents. Contributions to the plan from CYO reflect an allocation by the Diocese based on CYO's eligible salaries as a percentage of total eligible salaries. The pension expense for the years ended June 30, 2002 and 2001 was approximately \$13,100 and \$7,900, respectively, and is reflected in management and general expenses on the statement of activities.

5. Related Party Transactions

Certain members of CYO's board are also board members of the Diocese, a related entity.

For the years ended June 30, 2002 and 2001, the Diocese provided funding in the amount of \$129,900 and \$123,504, respectively, to support the operations of CYO.

CYO reimburses the Diocese for wages, payroll taxes, and health benefits the Diocese disburses on behalf of CYO. For the years ended June 30, 2002 and 2001, these expenses totaled \$237,220 and \$217,160, respectively. Of these balances, unpaid amounts of approximately \$10,700 and \$15,400, respectively, are included in accounts payable and accrued expenses for the years ended June 30, 2002 and 2001.

The Diocese pays, on behalf of CYO, the group term life insurance and long-term disability benefits for all full-time employees of CYO. The Diocese also provides administrative services for CYO. These expenses are not reimbursed or reflected on the financial statements of CYO since the amounts are not significant.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

CYO and Youth Ministry, an office of the Diocese, both utilize and maintain a building owned by the Diocese. The agreement between CYO, Youth Ministry and the Diocese is for an indefinite period of time with no charge for rental fees. The estimated fair value of the contributed facilities usage is not significant.

CYO receives donations from Diocesan parishes for usage of facilities and playing fields for athletic programs. The estimated fair value of the cost of athletic facilities, net of amounts disbursed, was \$350,000 and \$325,000 for the years ended June 30, 2002 and 2001, respectively, and is reflected on the statements of activities.

6. Income Taxes

CYO is a not-for-profit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

Supplemental Schedule

Catholic Youth Organization, Inc.
Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2002
With Comparative Totals for the Year Ended June 30, 2001

	2002				2001		
	Program Services			Total Program Services	Supporting Services	Total Expenses	Total Expenses
	Athletics	Youth at Risk	Leadership Development				
Salaries	\$ 47,182	\$47,182	\$ 47,182	\$ 141,546	\$ 47,182	\$ 188,728	\$ 183,536
Employee benefits	7,977	7,977	7,977	23,931	7,979	31,910	26,879
Payroll taxes	3,463	3,463	3,463	10,389	3,465	13,854	14,624
Total salaries and related expenses	58,622	58,622	58,622	175,866	58,626	234,492	225,039
Professional fees	-	-	-	-	10,155	10,155	24,872
Supplies	1,438	4,690	-	6,128	7,000	13,128	16,641
Telephone	1,137	1,137	1,137	3,411	1,138	4,549	4,644
Postage and shipping	-	-	-	-	7,189	7,189	7,467
Rent	5,498	5,498	5,498	16,494	5,498	21,992	28,612
Rental and maintenance of equipment	-	-	-	-	29,872	29,872	22,895
Printing and publication	-	-	-	-	13,756	13,756	15,419
Travel	1,370	1,370	1,370	4,110	1,368	5,478	6,838
Conferences and meetings	2,257	2,257	2,257	6,771	2,257	9,028	8,224
Membership dues	-	-	-	-	2,138	2,138	1,768
Officiating fees	119,110	-	-	119,110	-	119,110	118,216
Special events	-	7,538	157,805	165,343	-	165,343	77,545
Trophies	-	-	-	-	1,071	1,071	4,290
Fundraising expenses	-	-	-	-	16,824	16,824	19,655
Miscellaneous	9,000	5,601	295	14,896	13,506	28,402	24,433
Contributed facilities usage	350,000	-	-	350,000	-	350,000	325,000
Total expenses before depreciation	548,432	86,713	226,984	862,129	170,398	1,032,527	931,558
Depreciation	-	-	-	-	-	-	3,591
Total expenses	\$ 548,432	\$ 86,713	\$ 226,984	\$ 862,129	\$ 170,398	\$ 1,032,527	\$ 935,149

**Catholic Youth
Organization, Inc.**

**Financial Statements and
Supplemental Schedule
For the Years Ended
June 30, 2000 and 1999**

Catholic Youth Organization, Inc.
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PricewaterhouseCoopers LLP
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2001 Market Street
Philadelphia PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300

Report of Independent Accountants

To the Board of Directors
Catholic Youth Organization, Inc.
Wilmington, Delaware

In our opinion, the accompanying balance sheets and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of Catholic Youth Organization, Inc. (CYO) at June 30, 2000 and 1999 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. These financial statements are the responsibility of CYO's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses for the year ended June 30, 2000 with comparative totals for the year ended June 30, 1999 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information as of June 30, 2000 and 1999 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.

PricewaterhouseCoopers LLP

September 29, 2000

Catholic Youth Organization, Inc.
Balance Sheets
As of June 30, 2000 and 1999

	2000	1999
Assets:		
Cash	\$ 28,261	\$ 74,906
Pooled investments	271,375	226,525
Prepaid expenses	350	1,085
Furniture and equipment, net	<u>3,590</u>	<u>6,176</u>
Total assets	<u>\$303,576</u>	<u>\$308,692</u>
Liabilities and net assets:		
Accounts payable and accrued expenses	31,381	23,794
Deferred support	<u>6,315</u>	<u>17,324</u>
Total liabilities	<u>37,696</u>	<u>41,118</u>
Net assets:		
Unrestricted	152,620	165,200
Unrestricted - designated	93,760	82,874
Temporarily restricted	<u>19,500</u>	<u>19,500</u>
Total net assets	<u>265,880</u>	<u>267,574</u>
Total liabilities and net assets	<u>\$303,576</u>	<u>\$308,692</u>

The accompanying notes are an integral part of the financial statements.

Catholic Youth Organization, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2000 and 1999

	2000	1999
Revenue and other support:		
Contributions	\$ 26,950	\$ 12,308
Government grants	21,840	54,690
Other grants	1,049	12,639
United Way	125,284	118,483
Catholic Diocese of Wilmington	60,000	28,941
Program fees	147,220	172,092
Special event fees	98,350	57,109
Fundraising revenues	57,797	67,135
Pooled investment income	29,850	14,722
Other investment income	90	816
Other	5,920	3,913
Contributed facilities usage	446,000	280,000
	<u>1,020,350</u>	<u>822,848</u>
Expenses:		
Program services:		
Athletics	158,438	143,227
Athletics – contributed facilities usage	446,000	280,000
Substance abuse prevention	50,043	33,183
Community service	48,701	30,582
Youth development	177,311	129,074
	<u>880,493</u>	<u>616,066</u>
Supporting services:		
Management and general	126,849	147,112
Fundraising	14,702	18,930
	<u>141,551</u>	<u>166,042</u>
Total expenses	<u>1,022,044</u>	<u>782,108</u>
(Decrease) increase in unrestricted net assets	(1,694)	40,740
Temporarily restricted revenue and other support:		
Youth Program grants	-	19,500
	<u>(1,694)</u>	<u>60,240</u>
Net assets at beginning of year	<u>267,574</u>	<u>207,334</u>
Net assets at end of year	<u>\$ 265,880</u>	<u>\$ 267,574</u>

The accompanying notes are an integral part of the financial statements.

Catholic Youth Organization, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2000 and 1999

	2000	1999
Cash flows from operating activities:		
Changes in net assets	\$ (1,694)	\$ 60,240
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,586	2,586
Net appreciation on pooled investments	(25,448)	(8,133)
Changes in assets and liabilities:		
Prepaid expenses	735	9,147
Accounts payable and accrued expenses	7,587	(5,426)
Deferred support	(11,009)	8,399
Net cash (used in) provided by operating activities	<u>(27,243)</u>	<u>66,813</u>
Cash flows from investing activities:		
Reinvestment of interest and dividends into pooled investments	(4,402)	(6,589)
Deposits into pooled investments	<u>(15,000)</u>	<u>(20,000)</u>
Net cash used in investing activities	<u>(19,402)</u>	<u>(26,589)</u>
Net (decrease) increase in cash	(46,645)	40,224
Cash at beginning of year	<u>74,906</u>	<u>34,682</u>
Cash at end of year	<u>\$28,261</u>	<u>\$74,906</u>

The accompanying notes are an integral part of the financial statements.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

1. Summary of Significant Accounting Policies

Nature of Operations

Catholic Youth Organization, Inc. (CYO) is part of the Catholic Diocese of Wilmington, Inc. (the Diocese). CYO's purpose is to provide a variety of educational, social, recreational, and spiritual activities for youth between the ages of nine and nineteen to contribute to the development of mature men and women who reflect in their lives the values of the gospel. While CYO's primary purpose is to serve Catholic youth, the organization's services are available to any youth, regardless of religious affiliation.

CYO's approach to Christian formation emphasizes the involvement of youth in locally organized programs. Assistance by CYO is provided to the parish groups in the following ways:

- Organizational planning for parish programs
- Leadership training for youth
- Adult training in youth work and athletics
- Consultation and program planning with parish personnel
- Direct administration of Diocesan-wide activities in recreational, social, spiritual and community services areas

Basis of Reporting

CYO reports using the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Financial Statement Presentation

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

- **Unrestricted Net Assets** include those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.
- **Temporarily Restricted Net Assets** include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.
- **Permanently Restricted Net Assets** include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

All net assets of CYO are either unrestricted or temporarily restricted as of June 30, 2000 and 1999.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

Contributions

Contributions are recognized as revenue in accordance with Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." Noncash contributions are recorded at fair value on the date of donation. Contributions of cash and other non-capital assets are reported as temporarily restricted operating revenue if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions which are received and expended within the same fiscal year are reported as unrestricted revenues.

Pooled Investments

Pooled investments are stated at fair value. Pooled investment income on the statement of activities includes interest, dividends, and realized and unrealized gains and losses, net of consulting and custodial costs.

CYO participates with the Diocese and other affiliated organizations in an investment pool which is held in a custody account at Mellon Trust. The pool is invested in a combination of fixed income and equity securities and mutual funds.

The investment pool is exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the market value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Furniture and Equipment

Furniture and equipment are recorded at cost. CYO records depreciation using the straight-line method. Furniture is depreciated over an estimated useful life of five years, while equipment is depreciated over an estimated useful life of five to seven years.

Contributed Services and Facilities

CYO records the fair value of contributed services which would ordinarily be purchased from individuals with specialized skills. Services from other non-specialized volunteers are not reflected in the financial statements of CYO. The value of these donated volunteer services for athletic and other youth programs approximated \$640,000 and \$467,000 for the years ended 2000 and 1999, respectively.

CYO also records in revenues and expenses the difference between the estimated fair value of donated facilities usage costs and amounts paid for their use.

Reclassifications

Certain balances in the 1999 statements have been reclassified to conform to the 2000 presentation.

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

2. Pooled Investments

CYO invests in a combination of fixed income and equity securities and mutual funds. The composition of pooled investments as of June 30, 2000 and 1999 was as follows:

	2000	1999
Cash and cash equivalents	\$ 15,553	\$ 420
Fixed income	79,207	63,439
Domestic equity	135,223	129,990
International equity	41,392	32,676
Total pooled investments	<u>\$271,375</u>	<u>\$226,525</u>

The fair value of these investments was determined based on quoted market prices at June 30, 2000 and 1999.

Pooled investment income for the years ended June 30, 2000 and 1999 consisted of the following:

	2000	1999
Interest and dividends	\$ 4,402	\$ 6,589
Net appreciation	<u>25,448</u>	<u>8,133</u>
Pooled investment income	<u>\$29,850</u>	<u>\$14,722</u>

The pooled investment income was net of custodial and advisory fees in the amount of \$1,646 and \$864 for the years ended June 30, 2000 and 1999, respectively.

3. Furniture and Equipment

At June 30, 2000 and 1999, furniture and equipment consisted of the following:

	2000	1999
Office equipment and furniture	\$30,419	\$30,419
Computer equipment	18,040	18,040
Improvements	<u>2,065</u>	<u>2,065</u>
	50,524	50,524
Accumulated depreciation	<u>(46,934)</u>	<u>(44,348)</u>
	<u>\$ 3,590</u>	<u>\$ 6,176</u>

Catholic Youth Organization, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

4. Pension Plan

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including CYO. The plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined in the Plan documents. Contributions to the plan from CYO reflect an allocation by the Diocese based on CYO's eligible salaries as a percentage of total eligible salaries. The pension expense for the years ended June 30, 2000 and 1999 was approximately \$7,700 and \$5,300, respectively, and is reflected in management and general expenses on the statement of activities.

5. Related Party Transactions

Certain members of CYO's board are also board members of the Diocese, a related entity.

For the years ended June 30, 2000 and 1999, the Diocese provided funding in the amount of \$60,000 and \$28,941, respectively, to support the operations of CYO.

CYO reimburses the Diocese for wages, payroll taxes, and health benefits the Diocese disburses on behalf of CYO. For the years ended June 30, 2000 and 1999, these expenses totaled \$132,889 and \$132,521, respectively. Of these balances, unpaid amounts of approximately \$6,700 and \$8,000, respectively, are included in accounts payable and accrued expenses for the years ended June 30, 2000 and 1999.

The Diocese pays, on behalf of CYO, the group term life insurance and long-term disability benefits for all full-time employees of CYO. The Diocese also provides administrative services for CYO. These expenses are not reimbursed or reflected on the financial statements of CYO since the amounts are not significant.

CYO and Youth Ministry, an office of the Diocese, both utilize and maintain a building owned by the Diocese. The agreement between CYO, Youth Ministry and the Diocese is for an indefinite period of time with no charge for rental fees. The estimated fair value of the contributed facilities usage is not significant.

CYO receives donations from Diocesan parishes for usage of facilities and playing fields for athletic programs. The estimated fair value of the cost of athletic facilities, net of amounts disbursed, was \$446,000 and \$280,000 for the years ended June 30, 2000 and 1999, respectively, and is reflected on the statements of activities.

6. Income Taxes

CYO is a not-for-profit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

7. Subsequent Event

Effective July 1, 2000, CYO was renamed Catholic Youth Ministries, Inc. to reflect the merging of activities of CYO and Youth Ministry.

olic Youth Organization, Inc.
Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2000
With Comparative Totals for the Year Ended June 30, 1999

	2000						1999	
	Program Services					Supporting Services	Total Expenses	Total Expenses
	Athletics	Substance Abuse Prevention	Community Service	Youth Development	Total Program Services			
Salaries	\$ 21,173	\$23,290	\$ 19,056	\$ 16,939	\$ 80,458	\$ 25,409	\$ 105,867	\$107,456
Employee benefits	6,363	7,040	5,787	5,111	24,301	7,674	31,975	16,943
Payroll taxes	1,621	1,783	1,459	1,297	6,160	1,945	8,105	8,122
Total salaries and related expenses	<u>29,157</u>	<u>32,113</u>	<u>26,302</u>	<u>23,347</u>	<u>110,919</u>	<u>35,028</u>	<u>145,947</u>	<u>132,521</u>
Professional fees	12,560	-	11,993	-	24,553	7,489	32,042	16,185
Supplies	1,732	935	500	-	3,167	9,694	12,861	15,028
Telephone	855	940	769	684	3,248	1,026	4,274	4,354
Postage and shipping	-	-	-	-	-	5,749	5,749	6,703
Rent	7,715	8,487	6,944	6,172	29,318	9,258	38,576	8,850
Rental and maintenance of equipment	-	-	-	-	-	23,230	23,230	13,757
Printing and publication	-	4,590	-	3,510	8,100	4,869	12,969	8,335
Travel	870	957	783	696	3,306	1,044	4,350	2,425
Conferences and meetings	1,042	1,147	938	6,629	9,756	1,251	11,007	14,421
Membership dues	-	-	-	-	-	1,035	1,035	645
Officiating fees	99,673	-	-	-	99,673	-	99,673	94,767
Special events	-	304	-	135,860	136,164	-	136,164	121,344
Trophies	2,601	-	-	-	2,601	-	2,601	6,198
Facility rentals	1,723	-	-	-	1,723	16,358	18,081	12,775
Fundraising expenses	-	-	-	-	-	14,640	14,640	18,868
Miscellaneous	-	-	-	-	-	10,259	10,259	22,346
Contributed facilities usage	446,000	-	-	-	446,000	-	446,000	280,000
Total expenses before depreciation	<u>603,928</u>	<u>49,473</u>	<u>48,229</u>	<u>176,898</u>	<u>878,528</u>	<u>140,930</u>	<u>1,019,458</u>	<u>779,522</u>
Depreciation	510	570	472	413	1,965	621	2,586	2,586
Total expenses	<u>\$ 604,438</u>	<u>\$ 50,043</u>	<u>\$ 48,701</u>	<u>\$ 177,311</u>	<u>\$ 880,493</u>	<u>\$ 141,551</u>	<u>\$ 1,022,044</u>	<u>\$ 782,108</u>

CATHOLIC YOUTH ORGANIZATION, INC.

**REPORT ON AUDITS OF
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULE
for the years ended
June 30, 1998 and 1997**

CATHOLIC YOUTH ORGANIZATION, INC.

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Report of Independent Accountants

To the Board of Directors
Catholic Youth Organization, Inc.
Wilmington, Delaware

In our opinion, the accompanying balance sheets and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Catholic Youth Organization, Inc. (CYO) as of June 30, 1998 and 1997 and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of CYO's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses for the year ended June 30, 1998 with comparative totals for the year ended June 30, 1997 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information as of June 30, 1998 and 1997 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.

PricewaterhouseCoopers LLP

September 21, 1998

CATHOLIC YOUTH ORGANIZATION, INC.

**Balance Sheets
as of June 30, 1998 and 1997**

	1998			1997	
	Current Operations	Unrestricted Furniture and Equipment	Invested Reserves	Total	Total
Assets:					
Cash	\$ 34,682			\$ 34,682	\$ 33,995
Pooled investments			\$ 191,803	191,803	143,208
Grant receivable				-	13,000
Prepaid expenses	10,232			10,232	42,552
Furniture and equipment, net		\$ 8,762		8,762	9,645
Total assets	<u>\$ 44,914</u>	<u>\$ 8,762</u>	<u>\$ 191,803</u>	<u>\$ 245,479</u>	<u>\$ 242,400</u>
Liabilities and net assets:					
Accounts payable and accrued expenses	29,220			29,220	31,366
Deferred support	8,925			8,925	52,941
Total liabilities	<u>38,145</u>	<u>-</u>	<u>-</u>	<u>38,145</u>	<u>84,307</u>
Net assets:					
Unrestricted	6,769	8,762	113,671	129,202	111,325
Unrestricted - designated			78,132	78,132	46,768
Total net assets	<u>6,769</u>	<u>8,762</u>	<u>191,803</u>	<u>207,334</u>	<u>158,093</u>
Total liabilities and net assets	<u>\$ 44,914</u>	<u>\$ 8,762</u>	<u>\$ 191,803</u>	<u>\$ 245,479</u>	<u>\$ 242,400</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC YOUTH ORGANIZATION, INC.

Statements of Activities for the years ended June 30, 1998 and 1997

	1998			1997	
	Unrestricted				
	Current Operations	Furniture and Equipment	Invested Reserves	Total	Total
Revenue and other support:					
Contributions	\$ 6,221			\$ 6,221	\$ 6,439
Government grants	28,632			28,632	32,481
Other grants	10,000			10,000	-
United Way	140,946			140,946	108,940
Catholic Diocese of Wilmington	37,399			37,399	18,280
Program fees	150,825			150,825	162,595
Special event fees	117,953			117,953	67,130
Fundraising revenues	73,932			73,932	26,185
Pooled investment income	-		\$ 28,595	28,595	24,889
Other investment income	375			375	785
Other	2,920			2,920	6,622
Contributed facilities usage	261,000			261,000	154,000
Contributed services	57,000			57,000	-
	887,203	-	28,595	915,798	608,346
Total revenue and other support					
Expenses:					
Depreciation		\$ 2,383		2,383	2,352
Program services:					
Athletics	143,572			143,572	146,574
Substance abuse prevention	41,141			41,141	42,414
Community service	35,507			35,507	42,116
Youth development	160,605			160,605	92,673
	380,825	2,383	-	383,208	326,129
Total program services					
Supporting services:					
Management and general	129,567			129,567	121,721
Fundraising	35,782			35,782	9,282
Contributed facilities usage	261,000			261,000	154,000
Contributed services	57,000			57,000	-
	483,349	-	-	483,349	285,003
Total supporting services					
Total expenses	864,174	2,383	-	866,557	611,132
Excess/(deficiency) of revenue over expenses	23,029	(2,383)	28,595	49,241	(2,786)
Transfers	(21,500)	1,500	20,000	-	-
Changes in net assets	1,529	(883)	48,595	49,241	(2,786)
Net assets at beginning of year	5,240	9,645	143,208	158,093	160,879
Net assets at end of year	\$ 6,769	\$ 8,762	\$ 191,803	\$ 207,334	\$ 158,093

The accompanying notes are an integral part of the financial statements.

CATHOLIC YOUTH ORGANIZATION, INC.

Statements of Cash Flows for the years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Change in net assets	\$ 49,241	\$ (2,786)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,383	2,352
Net appreciation on pooled investments	(23,970)	(20,634)
Decrease in accounts receivable	-	8,390
(Increase)/decrease in grants receivable	13,000	(13,000)
(Increase)/decrease in prepaid expenses	32,320	(41,925)
Increase/(decrease) in accounts payable and accrued expenses	(2,146)	14,765
Increase/(decrease) in deferred support	<u>(44,016)</u>	<u>40,661</u>
Net cash provided by/(used in) operating activities	<u>26,812</u>	<u>(12,177)</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments for current operations	-	683
Reinvestment of interest and dividends into pooled investments	(4,625)	(4,255)
Deposits into pooled investments	(20,000)	-
Purchase of furniture and equipment	<u>(1,500)</u>	<u>(5,552)</u>
Net cash used in investing activities	<u>(26,125)</u>	<u>(9,124)</u>
Net increase/(decrease) in cash	687	(21,301)
Cash at beginning of year	<u>33,995</u>	<u>55,296</u>
Cash at end of year	<u>\$ 34,682</u>	<u>\$ 33,995</u>

The accompanying notes are an integral
part of the financial statements.

CATHOLIC YOUTH ORGANIZATION, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Operations:

Catholic Youth Organization, Inc. (CYO) is part of the Catholic Diocese of Wilmington, Inc. (the Diocese), a part of the Roman Catholic Church. CYO's purpose is to provide a variety of educational, social, recreational, and spiritual activities for youth between the ages of nine to nineteen to contribute to the development of mature men and women who reflect in their lives the values of the gospel. While CYO's primary purpose is to serve Catholic youth, the organization's services are available to any youth, regardless of religious affiliation.

CYO's approach to Christian formation emphasizes the involvement of youth in locally organized programs. Assistance by CYO is provided to the parish groups in the following ways:

- Organizational planning for parish programs
- Leadership training for youth
- Adult training in youth work and athletics
- Consultation and program planning with parish personnel
- Direct administration of Diocesan-wide activities in recreational, social, spiritual and community services areas

Basis of Reporting:

CYO reports using the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Financial Statement Presentation:

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

- **Unrestricted Net Assets** include those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.
- **Temporarily Restricted Net Assets** include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.
- **Permanently Restricted Net Assets** include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

All net assets of CYO are unrestricted as of June 30, 1998 and 1997, with some having been designated by the Board for particular uses.

Contributions

Contributions are recognized as revenue in accordance with Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." Noncash contributions are recorded at fair value on the date of donation. Contributions of cash and other non-capital assets are reported as temporarily restricted operating revenue if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions which are received and expended within the same fiscal year are reported as unrestricted revenues.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Pooled Investments:

Pooled investments are stated at fair value. Pooled investment income on the statement of activities includes interest, dividends, and net appreciation. Net appreciation includes realized and unrealized gains and losses, net of consulting and custodial costs.

CYO participates with the Diocese and other affiliated organizations in an investment pool which is held in a custody account at Delaware Trust Capital Management. The pool is invested in a combination of fixed income and equity securities and mutual funds.

CYO utilizes a total return policy to determine the level of support for operations and capital expenditures from pooled investments. The level of support is determined annually.

The investment pool is exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the market value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Furniture and Equipment:

Furniture and equipment are recorded at cost. CYO records depreciation using the straight-line method. Furniture is depreciated over an estimated useful life of five years, while equipment is depreciated over an estimated useful life of five to seven years.

Contributed Services and Facilities:

CYO records the fair value of contributed services which would ordinarily be purchased from individuals with specialized skills. In 1998, these services included marketing and computer programming services.

Services from other non-specialized volunteers are not reflected in the financial statements of CYO. The value of these donated volunteer services for athletic and other youth programs approximated \$265,000 and \$240,000 for the years ended 1998 and 1997, respectively.

CYO also records in revenues and expenses, the difference between the estimated fair value of donated facilities usage costs and amounts expended for their use.

Reclassifications:

Certain amounts in the 1997 statements have been reclassified to conform to the 1998 presentation.

Notes to Financial Statements, Continued

2. Pooled Investments:

CYO invests in a combination of fixed income and equity securities and mutual funds. The composition of pooled investments as of June 30, 1998 and 1997 was as follows:

	<u>1998</u>	<u>1997</u>
Cash and cash equivalents	\$ 393	\$ 400
Fixed income	51,550	46,507
Domestic equity	130,462	88,324
International equity	<u>9,398</u>	<u>7,977</u>
Total	<u>\$ 191,803</u>	<u>\$ 143,208</u>

The fair value of these investments was determined based on quoted market prices at June 30, 1998 and 1997:

Pooled investment income for the years ended June 30, 1998 and 1997 was comprised of the following:

	<u>1998</u>	<u>1997</u>
Interest and dividends	\$ 4,625	\$ 4,255
Net appreciation	<u>23,970</u>	<u>20,634</u>
Pooled investment income	<u>\$ 28,595</u>	<u>\$ 24,889</u>

The pooled investment income was net of custodial and advisory fees in the amount of \$1,107 and \$921 for the years ended June 30, 1998 and 1997, respectively.

3. Furniture and Equipment:

At June 30, 1998 and 1997, furniture and equipment consisted of the following:

	<u>1998</u>	<u>1997</u>
Office equipment and furniture	\$ 30,419	\$ 30,419
Computer equipment	18,040	16,540
Improvements	<u>2,065</u>	<u>2,065</u>
Accumulated depreciation	50,524 <u>(41,762)</u>	49,024 <u>(39,379)</u>
	<u>\$ 8,762</u>	<u>\$ 9,645</u>

Notes to Financial Statements, Continued

4. Pension Plan:

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including CYO. The plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined. Contributions to the plan from CYO reflect an allocation by the Diocese based on CYO eligible salaries as a percentage of total eligible salaries. The pension expense for the years ended June 30, 1998 and 1997 was \$6,972 and \$5,075, respectively and is reflected in management and general expenses on the statement of activities.

5. Related Party Transactions:

Certain members of CYO's board are also board members of the Diocese, a related entity.

The Diocese pays, on behalf of CYO, the group term life insurance and long-term disability benefits for all full-time employees of CYO. These expenses are not reimbursed or reflected on the financial statements of CYO since the amounts are not significant.

CYO and Youth Ministry, an office of the Diocese, both utilize and maintain a building owned by the Diocese. The agreement between CYO, Youth Ministry and the Diocese is for an indefinite period of time with no charge for rental fees. The estimated fair value of the contributed facilities usage is not significant.

CYO receives donations from Diocesan parishes for usage of facilities and playing fields for athletic programs. The estimated fair value of the cost of athletic facilities, net of amounts disbursed, was \$261,000 and \$154,000 for the years ended June 30, 1998 and 1997, respectively, and is reflected on the statements of activities.

6. Income Taxes:

CYO is a not-for-profit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

SUPPLEMENTAL SCHEDULE

CATHOLIC YOUTH ORGANIZATION, INC.

**Supplemental Schedule of Functional Expenses
for the year ended June 30, 1998 with comparative
totals for the year ended June 30, 1997**

	1998					1997		
	Program Services				Total Program Services	Supporting Services	Total Expenses	Total Expenses
	Athletics	Substance Abuse Prevention	Community Service	Youth Development				
Salaries	\$ 27,023	\$ 29,724	\$ 24,313	\$ 20,113	\$ 101,173	\$ 32,423	\$ 133,596	\$ 114,292
Employee benefits	2,090	2,299	1,880	1,671	7,940	2,507	10,447	16,232
Payroll taxes	3,796	4,175	3,415	3,036	14,422	4,555	18,977	9,626
Total salaries and related expenses	32,909	36,198	29,608	24,820	123,535	39,485	163,020	140,150
Professional fees	9,275				9,275	11,875	21,150	29,455
Supplies	1,488	656	4,750	327	7,221	7,654	14,875	15,706
Telephone					-	7,484	7,484	3,055
Postage and shipping			7		7	5,889	5,896	472
Rent					-	13,552	13,552	8,850
Rental and maintenance of equipment					-	13,273	13,273	10,371
Printing and publication		180		5,228	5,408	3,124	8,532	15,173
Travel	21	981	142	1,908	3,052		3,052	4,121
Conferences and meetings	270	3,098		3,056	6,424	2,090	8,514	13,359
Membership dues	25			305	330	585	915	3,287
Miscellaneous	752	28			780	12,558	13,338	8,144
Officiating fees	82,126				82,126		82,126	84,300
Special events			1,000	124,601	125,601	5,012	130,613	78,054
Trophies	6,453				6,453		6,453	6,177
Facility rentals	10,253			360	10,613	6,986	17,599	24,824
Fundraising expenses					-	35,782	35,782	9,282
Contributed facilities usage					-	261,000	261,000	154,000
Contributed services					-	57,000	57,000	-
Total expenses before depreciation	143,572	41,141	35,507	160,605	380,825	483,349	864,174	608,780
Depreciation	477	524	429	381	1,811	572	2,383	2,352
Total expenses	\$ 144,049	\$ 41,665	\$ 35,936	\$ 160,986	\$ 382,636	\$ 483,921	\$ 866,557	\$ 611,132

CATHOLIC YOUTH MINISTRIES

2003 BUDGET

Codes	Description	2003 Budget	2002 Projected	2002 6 months ended 12/31/2001	2002 Budget	2002 Projected vs 02 Bdgt	03 Bdgt vs Projected	2003 Budget Basis / Comments
INCOME								
301.50	Unrestricted contributions	2,000.00	2,000.00	0.00	2,600.00	(600.00)	0.00	
302.30	Lend-a-hand contributions	0.00	5,855.00	5,454.62	8,500.00	(2,645.00)	(5,855.00)	
311.22	United Way of DE-Project Care	0.00	6,000.00	0.00	12,000.00	(6,000.00)	(6,000.00)	based on 1/2 year
311.30	United Way of DE-Youth at Risk	12,000.00	9,000.00	0.00	16,870.00	(7,870.00)	1,000.00	based on 1/2 year
311.40	United Way of DE-Community Outreach	0.00	7,250.00	0.00	14,500.00	(7,250.00)	(7,250.00)	based on 1/2 year
311.50	United Way of DE-Unrestricted	82,000.00	93,500.00	57,266.91	80,000.00	13,500.00	(11,500.00)	
312.10	United Way of Southeastern PA	2,000.00	2,206.00	2,028.43	1,500.00	706.00	(206.00)	
312.50	United Ways-Other	1,000.00	1,000.00	443.72	1,750.00	(750.00)	0.00	
313.50	State Grant-in-Aid	23,800.00	24,500.00	11,924.50	23,800.00	700.00	(700.00)	unchanged
314.50	Catholic Diocese Appeal	133,700.00	128,600.00	64,299.96	128,600.00	0.00	5,100.00	increase 4%
321.10	Baseball program fees	7,200.00	6,300.00	1,300.00	7,000.00	(700.00)	2,700.00	increase fee \$150/team and addition of 2nd umpire
322.10	Boys basketball program fees	45,180.00	41,000.00	655.00	41,000.00	0.00	4,180.00	increase fee \$20/team
323.10	Girls basketball program fees	41,610.00	38,375.00	1,275.00	41,000.00	(2,625.00)	3,235.00	increase fee \$20/team
324.10	Cheerleading program fees	1,500.00	1,752.00	1,152.00	2,500.00	(748.00)	(252.00)	we may drop cheerleading
325.10	Cross country program fees	3,600.00	2,365.00	2,150.00	2,580.00	(215.00)	1,235.00	change charge to per person vs. per team
326.10	Football program fees	8,000.00	5,950.00	5,010.00	5,950.00	0.00	2,050.00	increase fee \$50/team
327.10	Soccer program fees	18,725.00	17,200.00	15,700.00	17,600.00	(400.00)	1,525.00	increase fee \$25/team
328.10	Softball program fees	6,960.00	6,300.00	1,425.00	7,050.00	(750.00)	660.00	increase fee \$20/team
329.10	Track program fees	6,580.00	6,300.00	1,275.00	6,375.00	(75.00)	280.00	increase fee \$20/team
330.10	Volleyball program fees	32,730.00	30,000.00	25,560.00	30,750.00	(750.00)	2,730.00	increase fee \$20/team
331.10	Wrestling program fees	4,400.00	3,640.00	355.00	4,550.00	(910.00)	760.00	increase fee \$100/team
332.10	Summer League Fees	0.00	3,750.00	2,700.00	4,300.00	(550.00)	(3,750.00)	summer league has been dropped
332.25	KOMMOTION program fees	7,500.00	4,865.00	3,480.00	8,000.00	(3,135.00)	2,635.00	increase fee to \$20
333.25	NEXUS program fees	10,000.00	6,000.00	1,385.00	20,000.00	(14,000.00)	4,000.00	increase fee to \$20
334.25	It's Academic	950.00	1,018.00	0.00	950.00	68.00	(68.00)	
335.25	Spelling Bee program fees	550.00	550.00	25.00	550.00	0.00	0.00	
337.25	Youth Leadership Institute	10,500.00	4,325.00	4,325.00	7,500.00	(3,175.00)	6,175.00	increase fee to \$150
338.25	Adult Leadership Training	0.00	0.00	20.00	500.00	(500.00)	0.00	
351.30	Red Ribbon Race	0.00	1,026.00	1,026.00	0.00	1,026.00	(1,026.00)	
352.30	Memorial Fund	200.00	2,615.00	2,615.00	0.00	2,615.00	(2,415.00)	move to general
370.30	March For Life	2,400.00	2,070.00	0.00	2,500.00	(430.00)	330.00	move to leadership divp
371.25	NCYC	0.00	84,146.00	73,559.00	90,000.00	(5,854.00)	(84,146.00)	not held in fy03
372.25	World Youth Day	25,000.00	25,000.00	1,700.00	25,000.00	0.00	0.00	
373.50	Golf outing fundraiser income	40,000.00	45,275.00	45,225.00	50,000.00	(4,725.00)	(5,275.00)	
375.25	Intermed./Advanced Cert	0.00	0.00	0.00	500.00	(500.00)	0.00	delete this account
376.25	CMD Certification	16,000.00	14,983.00	14,983.37	8,500.00	6,483.00	1,017.00	
381.50	IMNA interest	0.00	0.00	0.00	100.00	(100.00)	0.00	no bank interest
385.50	Investment - Diocesan Managed	0.00	0.00	(19,539.67)	1,000.00	(1,000.00)	0.00	
386.25	Youth Festival	0.00	10,000.00	0.00	14,000.00	(2,000.00)	(12,000.00)	

CATHOLIC YOUTH MINISTRIES

2003 BUDGET

Codes	Description	2003 Budget	2002 Projected	6 months ended 12/31/2001	2002 Projected vs Budget	03 Bdgt vs 02 Bdgt	2003 Budget Basis / Comments	
387.10	Boys Volleyball	0.00	0.00	0.00	1,650.00	(1,650.00)	0.00	boys volleyball has been dropped
391.50	Amusement Park Ticket	0.00	4,880.00	4,880.00	7,000.00	(2,120.00)	(4,880.00)	program dropped
393.50	Advertising Income	0.00	0.00	0.00	1,000.00	(1,000.00)	0.00	
399.50	Miscellaneous income	1,500.00	2,200.00	178.81	3,000.00	(800.00)	(700.00)	
x04.25	NCCYM	13,000.00	0.00	0.00	0.00	0.00	13,000.00	figured at \$650 for 20
x12.50	Transfer from reserve	0.00	7,500.00	0.00	0.00	7,500.00	(7,500.00)	as planned for fy 02
x13.50	Regional Reimbursement	1,000.00	0.00	0.00	0.00	0.00	1,000.00	partial reimb.for travel
		0.00	0.00	0.00	0.00	0.00	0.00	
		561,585.00	659,296.00	333,837.65	702,525.00	(41,229.00)	(99,911.00)	
EXPENSES								
501.50	Salaries-lay professional	172,900.00	178,735.00	101,932.08	208,750.00	(30,015.00)	(5,835.00)	salary schedule
511.50	FICA	10,750.00	11,000.00	6,226.12	13,000.00	(2,000.00)	(250.00)	salary schedule
512.50	Medicare	2,500.00	2,600.00	1,456.12	3,050.00	(450.00)	(100.00)	salary schedule
513.50	Worker's compensation	600.00	700.00	594.56	250.00	450.00	(100.00)	salary schedule
514.50	Health and dental ins.-lay	14,000.00	19,500.00	14,150.10	16,000.00	3,500.00	(5,500.00)	salary schedule
515.50	Retirement-lay	10,600.00	10,200.00	0.00	6,000.00	4,200.00	400.00	6.36% of qual salry
601.50	Audit fees	6,700.00	6,500.00	0.00	3,000.00	3,500.00	200.00	actual plus \$500
604.50	Strategic Planning	0.00	1,042.00	1,041.75	0.00	1,042.00	(1,042.00)	
605.50	CYO advertising	0.00	500.00	0.00	250.00	250.00	(500.00)	
606.50	Professional Services-General	500.00	715.00	715.00	1,000.00	(285.00)	(215.00)	
607.50	Video Creation	0.00	5,083.00	5,082.50	0.00	5,083.00	(5,083.00)	
621.50	Office Supplies	7,000.00	7,500.00	5,808.24	5,500.00	2,000.00	(500.00)	this had erroneously been lowered for this year
622.50	Printing	7,500.00	7,000.00	4,170.94	8,000.00	(1,000.00)	500.00	
623.50	Telephone	4,500.00	4,500.00	2,295.69	4,500.00	0.00	0.00	
624.50	Postage and shipping	7,000.00	6,500.00	3,971.98	7,000.00	(500.00)	500.00	
625.50	Equip. rental and maintenance	26,000.00	25,000.00	13,995.51	23,500.00	1,500.00	1,000.00	
626.50	Equipment purchase	0.00	656.00	616.80	750.00	(94.00)	(656.00)	
627.50	Utilities-Broom Street	14,000.00	13,000.00	6,838.69	12,500.00	500.00	1,000.00	
628.50	Household Supplies	1,500.00	1,000.00	638.27	1,500.00	(500.00)	500.00	
629.50	Household Repairs	0.00	7,000.00	2,979.87	7,500.00	(500.00)	(7,000.00)	
631.50	Mileage reimbursement	5,500.00	5,000.00	2,847.12	6,500.00	(1,500.00)	500.00	
632.50	Conferences Held	1,250.00	1,350.00	692.85	1,000.00	350.00	(100.00)	
633.50	Region XIV Travel, Conf.	2,000.00	3,028.00	851.61	1,500.00	1,528.00	(1,028.00)	
634.25	Youth Ministry 101	3,500.00	4,507.00	3,892.17	7,500.00	(2,993.00)	(1,007.00)	
636.25	Youth Leadership Inst.	9,800.00	8,009.00	7,509.13	12,000.00	(3,991.00)	1,791.00	
637.10	Athletics as Ministry Dinner	0.00	0.00	0.00	4,500.00	(4,500.00)	0.00	program not held
639.30	March for Life	2,400.00	2,300.00	200.00	2,250.00	50.00	100.00	move to leadership dvlp

CATHOLIC YOUTH MINISTRIES

2003 BUDGET

Codes	Description	2003 Budget	2002 Projected	6 months ended 12/31/2001	2002 Projected vs Budget	02 Bdgt	03 Bdgt vs Projected	2003 Budget Basis / Comments
640.50	Recognition	500.00	600.00	246.90	1,000.00	(400.00)	(100.00)	
641.50	Conferences Attended	3,500.00	3,200.00	931.28	2,000.00	1,200.00	300.00	adult conference this year
643.50	Resources-Internal,External	1,000.00	1,500.00	1,160.12	1,000.00	500.00	(500.00)	
644.50	Membership dues and fees	1,250.00	2,000.00	1,193.95	1,500.00	500.00	(750.00)	will drop some community membership
645.25	Chesapeake Bay Conference	0.00	1,100.00	180.00	1,000.00	100.00	(1,100.00)	partly recorded in conferences
646.25	Intermed/Advance Cert	0.00	0.00	0.00	500.00	(500.00)	0.00	
647.25	CMD Certification	13,400.00	11,100.00	11,055.73	10,000.00	1,100.00	2,300.00	
648.25	NCYC	0.00	84,018.29	68,223.48	87,500.00	(3,481.71)	(84,018.29)	
649.25	Youth Festival	0.00	10,000.00	700.00	12,000.00	(2,000.00)	(10,000.00)	
650.50	Miscellaneous	1,000.00	1,200.00	411.62	1,500.00	(300.00)	(200.00)	
651.30	Red Ribbon Race	0.00	1,056.00	1,055.85	0.00	1,056.00	(1,056.00)	
651.50	Bank Charges	0.00	541.09	541.09	0.00	541.09	(541.09)	
652.30	Memorial Fund	0.00	2,327.00	2,276.86	0.00	2,327.00	(2,327.00)	move to general
654.10	Insur-parish (BABB, INC.)	11,000.00	9,000.00	9,000.00	9,000.00	0.00	2,000.00	increase fee to \$2.75
655.50	Insur-Diocesan Property	7,800.00	7,746.00	7,745.71	7,500.00	246.00	54.00	
656.25	Young Adult Ministry	10,000.00	3,640.00	1,272.47	2,500.00	1,140.00	6,360.00	
657.30	Teens MD	3,000.00	100.00	72.34	2,000.00	(1,900.00)	2,900.00	
658.30	Community Outreach	0.00	2,000.00	1,528.65	2,000.00	0.00	(2,000.00)	
659.30	Youth at Risk Training	3,000.00	1,000.00	0.00	1,500.00	(500.00)	2,000.00	
660.30	Youth at Risk Resources	1,500.00	500.00	39.95	1,500.00	(1,000.00)	1,000.00	
665.25	Kommotion Program Expenses	6,000.00	5,257.00	5,257.39	5,000.00	257.00	743.00	
666.25	Diocesan Youth Board	1,000.00	295.17	295.17	2,000.00	(1,704.83)	704.83	
667.50	Advisory Board Expense	500.00	750.00	383.93	750.00	0.00	(250.00)	
671.30	Book Covers-Cost	0.00	4,000.00	4,000.00	4,000.00	0.00	(4,000.00)	
672.50	Amusement Park Tickets	0.00	4,271.70	4,271.70	6,100.00	(1,828.30)	(4,271.70)	
674.25	World Youth Day	12,000.00	20,000.00	2,100.00	20,000.00	0.00	(8,000.00)	
681.50	Golf Outing Expenses	12,600.00	12,552.00	12,552.56	12,500.00	52.00	48.00	
684.30	Sustance Abuse Programs	0.00	1,854.99	1,854.99	2,500.00	(645.01)	(1,854.99)	
685.50	Public Relations	0.00	400.00	0.00	500.00	(100.00)	(400.00)	
686.25	Project Care	0.00	0.00	0.00	5,000.00	(5,000.00)	0.00	
693.25	NEXUS Program Expense	10,000.00	7,000.00	0.00	15,000.00	(8,000.00)	3,000.00	
701.10	Cheerleading Supplies	1,500.00	1,438.29	1,360.79	2,200.00	(761.71)	61.71	
703.30	Lend-a-Hand Supplies	0.00	2,406.00	1,995.00	8,000.00	(5,594.00)	(2,406.00)	program dropped
709.25	It's Academic	900.00	1,200.00	357.79	900.00	300.00	(300.00)	
710.25	Spelling Bee Exp.	500.00	400.00	271.99	500.00	(100.00)	100.00	
711.30	Youth at Risk Programs	0.00	2,000.00	659.09	2,500.00	(500.00)	(2,000.00)	
801.10	Baseball Expenses	10,000.00	6,339.00	0.00	6,000.00	339.00	3,661.00	add 2nd umpire
802.10	Boys Basketball Exp.	32,000.00	23,200.00	3,418.17	29,500.00	(6,300.00)	8,800.00	
803.10	Girls Basketball Exp.	28,900.00	27,900.00	6,903.26	29,500.00	(1,600.00)	1,000.00	
804.10	Footbal Expenses	5,900.00	4,805.00	4,620.00	6,000.00	(1,195.00)	2,095.00	

CATHOLIC YOUTH MINISTRIES

2003 BUDGET

Codes	Description	2003 Budget	2002 Projected	6 months ended 12/31/2001	2002 Projected vs Budget	03 Bdgt vs 02 Bdgt	2003 Budget Basis / Comments	
805.10	Soccer Expenses	15,600.00	13,033.00	12,808.50	14,500.00	(1,467.00)	2,567.00	
806.10	Softball Expenses	2,000.00	1,990.00	0.00	2,000.00	(10.00)	10.00	
807.10	Volleyball Expenses	18,800.00	18,257.00	18,257.31	18,000.00	257.00	543.00	
808.10	Wrestling Expenses	6,300.00	5,872.00	1,813.00	5,500.00	372.00	428.00	
809.10	Boys Volleyball Expenses	0.00	0.00	0.00	1,275.00	(1,275.00)	0.00	program not held
914.10	Mid-Atlantic Expense	600.00	600.00	0.00	600.00	0.00	0.00	
915.10	Cross-Country Expense	2,900.00	2,299.50	2,156.45	2,000.00	299.50	600.50	
916.10	Track Expense	3,000.00	2,870.00	0.00	2,400.00	470.00	130.00	
917.10	Summer League Expense	0.00	2,470.00	2,470.00	4,000.00	(1,530.00)	(2,470.00)	
x04.25	NCCYM	12,000.00	0.00	0.00	0.00	0.00	12,000.00	
x05.25	Diocesan Youth Conference	0.00	0.00	0.00	0.00	0.00	0.00	
x06.25	Youth Ministry Training	2,500.00	0.00	0.00	0.00	0.00	2,500.00	
x09.30	Drug Free Poster Contest	4,500.00	0.00	0.00	0.00	0.00	4,500.00	formerly Book Covers
x12.50	Technology	4,000.00	10,000.00	0.00	0.00	10,000.00	(6,000.00)	online registration, etc. moved from 501.50
		0.00	0.00	0.00	0.00	0.00	0.00	
		561,450.00	659,014.03	383,950.19	710,025.00	(51,010.97)	(96,564.03)	
		135.00	281.97	(50,112.54)	(7,500.00)	9,781.97	(3,346.97)	

Catholic Diocese of Wilmington
XXIII. FINANCIAL STATE OF THE DIOCESE
Statistical Index

Entity: St. Mark's High School

Enclosures:

- Audited Financial Statements for the years ended June 30, 2002 and 2001
- Audited Financial Statements for the years ended June 30, 2000 and 1999
- Audited Financial Statements for the years ended June 30, 1998 and 1997
- Budget summary for the year ending June 30, 2003

Saint Mark's High School

Financial Statements

For the Years Ended June 30, 2002 and 2001

Saint Mark's High School
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June 30, 2002 and 2001

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Report of Independent Accountants

To the Board of Directors
Diocese of Wilmington Schools, Inc.
Saint Mark's High School
Wilmington, Delaware

We have audited the accompanying balance sheets of Saint Mark's High School (St. Mark's) as of June 30, 2002 and 2001 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Saint Mark'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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Saint Mark's has not adopted Statement of Financial Accounting Standards No. 93 (SFAS 93), "Recognition of Depreciation by Not-for-Profit Organizations," which requires not-for-profit organizations to recognize depreciation as a cost of using up the future economic benefits of their long-lived tangible assets. Also, certain equipment is expensed at the time of purchase that, in our opinion, should be capitalized in order to conform to accounting principles generally accepted in the United States of America. If buildings and building improvements were depreciated and certain equipment were capitalized, land, buildings and building improvements and net assets would be decreased by approximately \$4,675,000 and \$4,471,000 at June 30, 2002 and 2001, respectively. Additionally, changes in net assets would decrease by approximately \$20,000 and \$86,000 for the years ended June 30, 2002 and 2001, respectively.

In our opinion, except for the effect of not recognizing depreciation expense of long-lived tangible assets and of not capitalizing equipment as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Mark's as of June 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.

PricewaterhouseCoopers LLP

September 13, 2002

Saint Mark's High School
Balance Sheet
As of June 30, 2002

Assets	Unrestricted	Temporarily Restricted	Total
Cash and cash equivalents	\$ 384,914	\$ 227,570	\$ 612,484
Tuition receivable, net	62,969	-	62,969
Investments	1,123,044	-	1,123,044
Other assets	28,150	-	28,150
Land, buildings, and improvements	<u>10,648,765</u>	<u>-</u>	<u>10,648,765</u>
Total assets	<u>\$ 12,247,842</u>	<u>\$ 227,570</u>	<u>\$ 12,475,412</u>
Liabilities and Net Assets			
Accounts payable	287,467	-	287,467
Accrued liabilities	863,211	-	863,211
Deferred income	1,168,323	-	1,168,323
Third-party funds	70,557	-	70,557
Refundable advances - state and federal funding	-	227,570	227,570
Note payable	<u>404,160</u>	<u>-</u>	<u>404,160</u>
Total liabilities	<u>2,793,718</u>	<u>227,570</u>	<u>3,021,288</u>
Net assets:			
Unrestricted	9,454,124	-	9,454,124
Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>9,454,124</u>	<u>-</u>	<u>9,454,124</u>
Total liabilities and net assets	<u>\$ 12,247,842</u>	<u>\$ 227,570</u>	<u>\$ 12,475,412</u>

The accompanying notes are an integral part of the financial statements.

Saint Mark's High School
Balance Sheet
As of June 30, 2001

Assets	Unrestricted	Temporarily Restricted	Total
Cash and cash equivalents	\$ 893,395	\$ 244,055	\$ 1,137,450
Tuition receivable, net	48,545	-	48,545
Investments	674,675	-	674,675
Other assets	24,640	-	24,640
Land, buildings, and improvements	10,424,605	-	10,424,605
Total assets	<u>\$ 12,065,860</u>	<u>\$ 244,055</u>	<u>\$ 12,309,915</u>
Liabilities and Net Assets			
Accounts payable	268,980	-	268,980
Accrued liabilities	793,176	-	793,176
Deferred income	1,282,118	-	1,282,118
Third-party funds	66,156	-	66,156
Refundable advances - state and federal funding	-	226,549	226,549
Note payable	225,000	-	225,000
Total liabilities	<u>2,635,430</u>	<u>226,549</u>	<u>2,861,979</u>
Net assets:			
Unrestricted	9,430,430	-	9,430,430
Temporarily restricted	-	17,506	17,506
Total net assets	<u>9,430,430</u>	<u>17,506</u>	<u>9,447,936</u>
Total liabilities and net assets	<u>\$ 12,065,860</u>	<u>\$ 244,055</u>	<u>\$ 12,309,915</u>

The accompanying notes are an integral part of the financial statements.

Saint Mark's High School
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2002

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Public support:			
Diocesan contributions	\$1,207,197	\$ -	\$ 1,207,197
Other contributions	441,036	35,550	476,586
State and Federal funding	80,865	-	80,865
Total public support	<u>1,729,098</u>	<u>35,550</u>	<u>1,764,648</u>
Other revenue:			
Tuition and fees	8,544,483	-	8,544,483
Auxiliary programs	388,469	-	388,469
Student activities	323,606	-	323,606
Other	2,550	-	2,550
Total other revenue	<u>9,259,108</u>	<u>-</u>	<u>9,259,108</u>
Total revenue and support	<u>10,988,206</u>	<u>35,550</u>	<u>11,023,756</u>
Expenses:			
Academic programs	7,031,714	-	7,031,714
Auxiliary programs	339,902	-	339,902
Student activities	1,007,082	-	1,007,082
General and administrative	1,424,818	-	1,424,818
Fundraising	230,507	-	230,507
Capital expenditures	835,344	-	835,344
Contributions to Diocesan-held funds	144,578	-	144,578
Other non-operating expenses	3,623	-	3,623
Total expenses	<u>11,017,568</u>	<u>-</u>	<u>11,017,568</u>
Total revenue and support less total expenses	<u>(29,362)</u>	<u>35,550</u>	<u>6,188</u>
Net assets released from restrictions	53,056	(53,056)	-
Changes in net assets	23,694	(17,506)	6,188
Net assets at beginning of year	<u>9,430,430</u>	<u>17,506</u>	<u>9,447,936</u>
Net assets at end of year	<u>\$9,454,124</u>	<u>\$ -</u>	<u>\$ 9,454,124</u>

The accompanying notes are an integral part of the financial statements.

Saint Mark's High School
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Public support:			
Diocesan contributions	\$ 776,940	\$ -	\$ 776,940
Other contributions	564,121	81,350	645,471
State and Federal funding	71,219	-	71,219
Total public support	<u>1,412,280</u>	<u>81,350</u>	<u>1,493,630</u>
Other revenue:			
Tuition and fees	8,018,422	-	8,018,422
Auxiliary programs	357,695	-	357,695
Student activities	339,496	-	339,496
Other	102,147	-	102,147
Total other revenue	<u>8,817,760</u>	<u>-</u>	<u>8,817,760</u>
Total revenue and support	<u>10,230,040</u>	<u>81,350</u>	<u>10,311,390</u>
Expenses:			
Academic programs	6,455,141	-	6,455,141
Auxiliary programs	349,247	-	349,247
Student activities	945,878	-	945,878
General and administrative	1,364,391	-	1,364,391
Fundraising	235,768	-	235,768
Capital expenditures	748,105	-	748,105
Contributions to Diocesan-held funds	174,552	-	174,552
Other non-operating expenses	35,015	-	35,015
Total expenses	<u>10,308,097</u>	<u>-</u>	<u>10,308,097</u>
Total revenue and support less total expenses	<u>(78,057)</u>	<u>81,350</u>	<u>3,293</u>
Net assets released from restrictions	<u>95,435</u>	<u>(95,435)</u>	<u>-</u>
Changes in net assets	17,378	(14,085)	3,293
Net assets at beginning of year	<u>9,413,052</u>	<u>31,591</u>	<u>9,444,643</u>
Net assets at end of year	<u>\$9,430,430</u>	<u>\$ 17,506</u>	<u>\$ 9,447,936</u>

The accompanying notes are an integral part of the financial statements.

Saint Mark's High School
Statement of Functional Expenses
For the Year Ended June 30, 2002

	Academic Programs	Auxiliary Programs	Student Activities	Maintenance & Utilities	General & Administrative	Fund Raising	Capital Expenses	Contributions to Diocesan Held Funds	Non-operating Expenses	2002 Total
Payroll and related expenses	\$ 5,948,115	\$ -	\$ 395,006	\$ 357,341	\$ 904,035	\$ 96,963	\$ -	\$ -	\$ -	\$ 7,703,460
Other expenses:										
Capital exp - Academic	-	-	-	-	-	-	163,572	-	-	163,572
Capital exp - Auxiliary / convent	-	-	-	-	-	-	2,158	-	-	2,158
Capital exp. - Student activities	-	-	-	-	-	-	26,151	-	-	26,151
Capital exp. - Administrative	-	-	-	-	-	-	48,309	-	-	48,309
Capital exp. - Maintenance	-	-	-	-	-	-	542,028	-	-	542,028
Capital exp - Bleachers- Restricted	-	-	-	-	-	-	53,056	-	-	53,056
Capital replacement fund	-	-	-	-	-	-	-	14,000	-	14,000
Operating reserve fund	-	-	-	-	-	-	-	17,378	-	17,378
SMHS Educational Trust	-	-	-	-	-	-	-	13,200	-	13,200
Grant expenditures - Academic	-	-	-	-	-	-	-	-	998	998
Grant expenditures - Activities/ Other	-	-	-	-	-	-	-	-	2,625	2,625
Grant expenditures - Maintenance	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	43,336	-	-	-	-	43,336
Athletic events	-	-	14,029	-	-	-	-	-	-	14,029
Athletic equipment	-	-	39,374	-	-	-	-	-	-	39,374
Athletic officials fees	-	-	22,488	-	-	-	-	-	-	22,488
Audit	-	-	-	-	20,000	-	-	-	-	20,000
Books and printed material	8,583	-	-	-	3,560	-	-	-	-	12,243
Bus program	-	257,040	-	-	-	-	-	-	-	257,040
Clergy & Religious	-	2,049	-	-	10,068	-	-	-	-	12,117
Communication - Copier	45,363	-	-	-	17,318	-	-	-	-	62,681
Communication - Postage & shipping	-	-	-	-	35,943	5,670	-	-	-	41,613
Communication - Printing	9,259	-	-	-	60,367	2,394	-	-	-	72,020
Comm - Telephone/fax/ pager	-	1,124	-	798	25,227	-	-	-	-	27,149
Equipment purch./repair/maintenance	31,591	878	4,779	21,773	23,115	3,202	-	-	-	55,338
Fundraising events	-	-	-	-	-	37,505	-	-	-	37,505
Graduation	-	-	40,703	-	-	-	-	-	-	40,703
Insurance	-	5,808	10,787	5,560	50,520	-	-	-	-	72,655
Library books and periodicals	21,507	-	-	-	-	-	-	-	-	21,507
Magazine drives subscriptions	-	-	-	-	-	51,932	-	-	-	51,932
Membership dues	3,328	-	850	145	5,572	-	-	-	-	9,595
Occupancy - Cleaning contract	-	-	-	187,762	-	-	-	-	-	187,762
Occupancy - General	-	1,300	-	36,850	-	-	-	-	-	38,150
Occupancy - Repairs & maintenance	-	7,942	-	140,493	-	-	-	-	-	148,435
Occupancy - Utilities	-	-	-	247,500	-	-	-	-	-	247,500
Other	3,967	-	3,326	1,244	26,446	6,785	-	-	-	41,758
Professional services	-	20,653	17,880	-	4,994	-	-	-	-	43,537
Seminars & conferences	9,264	-	631	2,059	4,934	-	-	-	-	16,918
Student activity events	-	-	319,001	-	-	-	-	-	-	319,001
Student Advanced Placement program	23,088	-	-	-	-	-	-	-	-	23,088
Student field trips	56,542	-	-	-	-	-	-	-	-	56,542
Student programs - testing/ other	26,132	7,596	3,131	-	4,033	-	-	-	-	40,892
Substitute teachers - part time	30,728	-	-	-	-	-	-	-	-	30,728
Supplies - Classroom/ lab education	40,850	-	2,751	-	-	-	-	-	-	43,601
Supplies - Office	10,257	-	310	79	17,794	-	-	-	-	28,440
Supplies - Technology	52,314	-	-	-	-	-	-	-	-	52,314
Theater productions	-	-	8,114	-	-	-	-	-	-	8,114
Travel and meetings	4,852	1,415	22,347	4,625	24,669	940	-	-	-	59,448
Total	378,425	305,815	511,081	648,915	377,896	108,428	835,344	144,578	3,623	3,314,108
Total	6,325,540	305,815	906,087	1,006,259	1,281,931	207,391	835,344	144,578	3,623	11,017,568
Allocation of maintenance expenses	705,174	34,087	100,995	(1,006,259)	142,887	23,116	-	-	-	-
Total expenses	\$ 7,031,714	\$ 339,902	\$ 1,007,082	\$ -	\$ 1,424,818	\$ 230,507	\$ 835,344	\$ 144,578	\$ 3,623	\$ 11,017,568

The accompanying notes are an integral part of the financial statements.

Saint Mark's High School
Statement of Functional Expenses
For the Year Ended June 30, 2001

	Academic Programs	Auxiliary Programs	Student Activities	Maintenance & Utilities	General & Administrative	Fund Raising	Capital Expenses	Contributions to Diocesan Held Funds	Non-operating Expenses	2001 Total
Payroll and related expenses	\$ 5,510,142	\$ 7,864	\$ 346,361	\$ 228,535	\$ 853,622	\$ 88,228	\$ -	\$ -	\$ -	\$ 7,134,552
Other expenses:										
Capital exp. - Academic	-	-	-	-	-	-	178,701	-	-	178,701
Capital exp. - Auxiliary / convent	-	-	-	-	-	-	23,232	-	-	23,232
Capital exp. - Student activities	-	-	-	-	-	-	7,597	-	-	7,597
Capital exp. - Administrative	-	-	-	-	-	-	54,837	-	-	54,837
Capital exp. - Maintenance	-	-	-	-	-	-	392,253	-	-	392,253
Capital exp. - Restricted	-	-	-	-	-	-	91,585	-	-	91,585
Capital replacement fund	-	-	-	-	-	-	-	108,000	-	108,000
Operating reserve fund	-	-	-	-	-	-	-	777	-	777
SMHS Educational Trust	-	-	-	-	-	-	-	65,775	-	65,775
Grant expenditures - Academic	-	-	-	-	-	-	-	-	4,515	4,515
Grant expenditures - Activities/ Other	-	-	-	-	-	-	-	-	5,500	5,500
Grant expenditures - Maintenance	-	-	-	-	-	-	-	-	25,000	25,000
Advertising	-	-	-	-	53,880	-	-	-	-	53,880
Athletic events	-	-	11,924	-	-	-	-	-	-	11,924
Athletic equipment	-	-	37,231	-	-	-	-	-	-	37,231
Athletic officials fees	-	-	19,451	-	-	-	-	-	-	19,451
Audit	-	-	-	-	20,000	-	-	-	-	20,000
Books and printed material	5,410	-	-	-	1,526	-	-	-	-	7,936
Bus program	3,274	265,000	-	-	-	-	-	-	-	268,274
Clergy & Religious	-	3,039	-	-	9,857	-	-	-	-	12,896
Communication - Copier	45,171	-	-	-	18,680	-	-	-	-	63,851
Communication - Postage & shipping	-	-	-	-	28,282	7,132	-	-	-	35,414
Communication - Printing	6,618	-	-	-	61,912	3,247	-	-	-	71,777
Comm. - Telephone/ fax/ pager	-	1,087	-	1,127	22,057	-	-	-	-	24,271
Equipment purch./repairs/maintenance	35,733	257	4,523	21,167	18,579	1,835	-	-	-	82,104
Fundraising events	-	-	-	-	-	49,390	-	-	-	49,390
Graduation	-	-	40,017	-	-	-	-	-	-	40,017
Insurance	-	7,155	6,970	4,970	50,490	-	-	-	-	69,585
Library books and periodicals	15,343	-	-	-	-	-	-	-	-	15,343
Magazine drive subscriptions	-	-	-	-	-	61,923	-	-	-	61,923
Membership dues	3,536	-	137	130	4,512	-	-	-	-	8,315
Occupancy - Cleaning contract	-	-	-	171,741	-	-	-	-	-	171,741
Occupancy - General	-	1,080	-	32,728	-	-	-	-	-	33,808
Occupancy - Repairs & maintenance	-	2,998	-	95,971	-	-	-	-	-	99,969
Occupancy - Utilities	-	2,230	-	248,273	-	-	-	-	-	250,503
Other	2,810	-	30	1,166	36,389	772	-	-	-	41,267
Professional services	-	19,897	16,500	-	3,894	-	-	-	-	40,291
Seminars & conferences	11,491	-	800	-	2,491	-	-	-	-	14,782
Student activity events	-	-	333,890	-	-	-	-	-	-	333,890
Student Advanced Placement program	25,678	-	-	-	-	-	-	-	-	25,678
Student field trips	-	-	-	-	-	-	-	-	-	-
Student programs - testing/ other	25,563	3,543	2,413	-	6,205	-	-	-	-	37,724
Substitute teachers - part time	26,202	-	-	-	-	-	-	-	-	26,202
Supplies - Classroom/ lab/ education	48,585	-	2,357	-	-	-	-	-	-	50,942
Supplies - Office	6,609	-	2,990	40	13,815	80	-	-	-	23,534
Supplies - Technology	52,582	-	-	-	-	-	-	-	-	52,582
Theater productions	-	-	10,094	-	-	-	-	-	-	10,094
Travel and meetings	965	1,292	18,121	3,289	25,394	213	-	-	-	49,284
Total	316,670	307,588	507,448	531,512	377,963	124,592	748,105	174,552	35,015	3,173,545
Total	5,826,512	315,252	853,809	910,147	1,231,585	212,820	748,105	174,552	35,015	10,308,097
Allocation of maintenance expenses	628,329	33,895	92,069	(910,147)	32,806	22,948	-	-	-	-
Total expenses	\$ 6,455,141	\$ 349,247	\$ 945,878	\$ -	\$ 1,364,391	\$ 235,768	\$ 748,105	\$ 174,552	\$ 35,015	\$ 10,308,097

The accompanying notes are an integral part of the financial statements.

Saint Mark's High School
Statements of Cash Flows
For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Change in net assets	\$ 6,188	\$ 3,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	4,699	3,177
Capital expenditures	835,344	748,105
Net depreciation on investments	52,631	19,861
Changes in assets and liabilities:		
Tuition receivable	(19,123)	(9,057)
Pledge receivable	-	20
Other assets	(3,510)	20,769
Accounts payable	18,487	57,832
Accrued liabilities	70,035	63,119
Deferred income	(113,795)	101,659
Third-party funds	4,401	(10,920)
Refundable advances	1,021	(4,757)
Net cash provided by operating activities	<u>856,378</u>	<u>993,101</u>
Cash flows from investing activities:		
Capital expenditures	(835,344)	(748,105)
Deposit into bank CD's	(301,000)	-
Deposit into pooled investment	(200,000)	(211,531)
Net cash used in investing activities	<u>(1,336,344)</u>	<u>(959,636)</u>
Cash flows from financing activities:		
Payment on note payable	(45,000)	(45,000)
Net cash used in financing activities	<u>(45,000)</u>	<u>(45,000)</u>
Net decrease in cash and cash equivalents	(524,966)	(11,535)
Cash and cash equivalents at beginning of year	<u>1,137,450</u>	<u>1,148,985</u>
Cash and cash equivalents at end of year	<u>\$ 612,484</u>	<u>\$ 1,137,450</u>
Supplemental disclosures of cash flow information:		
Capital expenses included in accounts payable	<u>\$ 52,132</u>	<u>\$ 168,692</u>

The accompanying notes are an integral part of the financial statements.

Saint Mark's High School
Notes to Financial Statements
June 30, 2002 and 2001

1. Summary of Significant Accounting Policies

Nature of Operations

Saint Mark's High School (Saint Mark's) was established by the Catholic Diocese of Wilmington, Inc. (the Diocese) to foster Catholic education, which is a creative and living process which seeks to develop the individual wholly and fully. Saint Mark's is committed to creating the finest Catholic and Christian leaders by cultivating each student spiritually, socially, intellectually, and physically. Based upon the principles and values of the Gospels and traditions of Catholic doctrine, the Saint Mark's program offers opportunities for religious formation and practice, a curriculum of academic excellence and a wide variety of extra- and co-curricular activities.

These statements present the operating results of Saint Mark's, which is an operating segment of the Diocese of Wilmington Schools, Inc.

Basis of Reporting

Saint Mark's reports using the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Financial Statement Presentation

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three net asset classifications follows:

- *Unrestricted Net Assets* include those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.
- *Temporarily Restricted Net Assets* include gifts for which donor imposed restrictions have not been met, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.
- *Permanently Restricted Net Assets* include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions. As of June 30, 2002 and 2001 there were no permanently restricted net assets.

Saint Mark's High School
Notes to Financial Statements
June 30, 2002 and 2001

Contributions

Noncash contributions are recorded at fair market value on the date of donation. Contributions of cash and other non-capital assets are reported as temporarily restricted operating revenue if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions which are received and expended within the same fiscal year are reported as unrestricted revenues.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less and a no-penalty certificate of deposit that is convertible on demand. Saint Mark's investments in cash and cash equivalents are interest-bearing. At times, these amounts may exceed federally insured limits.

Investments

Investments are stated at fair value. Investment income on the statement of activities includes interest and dividends and realized and unrealized gains and losses, net of consulting and custodial costs.

Saint Mark's participates with the Diocese and other affiliated organizations in an investment pool which is held in a custody account at Mellon Trust. The pool is invested in a combination of fixed income, equity securities, and mutual funds.

The investment pool is exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the market value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Saint Mark's also invests in bank certificates of deposit (CD's) with maturities greater than 90 days, but less than one year.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value as pledges receivable and contributions in the period the promise is received. Unconditional promises that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises are not included as support until the conditions are substantially met.

Saint Mark's High School
Notes to Financial Statements
June 30, 2002 and 2001

Land, Buildings, and Improvements

Land, buildings, and certain land and building improvements are capitalized based on historical cost. All other long-lived assets are expensed at the time of purchase (except assets utilized pursuant to a capitalized lease – see footnote 5).

Accrued Liabilities - Faculty Contracts Payable

Saint Mark's Professional Employee Contracts for faculty are for the ten-month period from August 20, 2001 through June 20, 2002 and August 20, 2000 through June 20, 2001, respectively. Many faculty voluntarily elect to receive their payment for services over twelve months, rather than ten. At year-end, Saint Mark's records a liability for earned but unpaid faculty compensation including the related payroll taxes. As of June 30, 2002 and 2001, Saint Mark's had accrued liabilities-faculty contracts payable of \$754,580 and \$697,637, respectively.

Deferred Income

Deferred income of Saint Mark's represents tuition, fees, bus deposits, math & science camp fees, certain donations and grants received in advance for the fiscal 2002 – 2003 and 2001 – 2002 school years.

Vacation

Saint Mark's recognizes the cost of vested vacation pay as earned by employees.

Contributed Services

Saint Mark's receives services from unpaid volunteers in organizing activities for students and various Saint Mark's programs. The value of these contributed services is not reflected in the accompanying financial statements since the services provided by the volunteers do not require specialized skills and would not be purchased by Saint Mark's if the volunteer services were not available.

Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Academic programs. Provide quality secondary education based on a core curriculum and a broad spectrum of electives which enables students to recognize and challenge their individual abilities; foster knowledge; stimulate interest; facilitate a dynamic, creative curriculum that motivates students to think critically, analyze data and draw conclusions; provide pastoral care program and religious education as an integral part of student's education; instill a distinctive Catholic atmosphere of lived Gospel values and principles and the traditions of Catholicism; include facilities, classrooms, and laboratories with the technology and equipment needed to educate for future learning and life.

Auxiliary programs. Includes the operations of the bus program, cafeteria, vending machines, parking, convent, facility rental and commission from bookstore sales.

Student activities. Includes all extracurricular activities such as proms, dances, graduation expenses, athletic contests, theater productions, and retreat expenses.

Saint Mark's High School
Notes to Financial Statements
June 30, 2002 and 2001

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain balances in the 2001 statements have been reclassified to conform to the 2002 presentation.

2. Concentration of Credit Risk

The financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents. The cash equivalents are high-quality, short-term securities placed with institutions with high credit ratings. Saint Mark's has accounts with Citizens Bank, PNC Bank, and Wilmington Trust. At times these accounts may exceed federally insured limits.

3. Tuition Receivable

At June 30, 2002 and 2001, tuition receivable consisted of the following:

	2002	2001
Tuition receivable	\$ 174,969	\$ 160,545
Less: Allowance for uncollectibles	<u>(112,000)</u>	<u>(112,000)</u>
	<u>\$ 62,969</u>	<u>\$ 48,545</u>

During 2002, Saint Mark's wrote off \$11,453 in aged receivable balances, which had been fully reserved. This write-off did not impact the Statement of Activities and Changes in Net Assets.

4. Investments

The composition of investments as of June 30, 2002 and 2001 was as follows:

	2002	2001
Cash and cash equivalents	\$ 55,682	\$ 5,449
Fixed income	233,987	193,997
Domestic equity	411,792	379,218
International equity	<u>120,583</u>	<u>96,011</u>
Subtotal pooled investments	<u>822,044</u>	<u>674,675</u>
Bank certificates of deposit	<u>301,000</u>	<u>-</u>
Total investments	<u>\$ 1,123,044</u>	<u>\$ 674,675</u>

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The fair value of these investments was determined based on quoted market prices at June 30, 2002 and 2001.

Investment income for the year ended June 30, 2002 and 2001 consisted of the following:

	2002	2001
Interest and dividends	\$ 11,903	\$ 11,531
Net (depreciation)	<u>(64,534)</u>	<u>(19,861)</u>
Pooled investment income	<u>(52,631)</u>	<u>(8,330)</u>
Bank CD interest	<u>1,000</u>	<u>-</u>
Total investment income	<u>\$ (51,631)</u>	<u>\$ (8,330)</u>

The pooled investment income is net of custodial and advisory fees in the amount of \$4,877 and \$3,382 in 2002 and 2001, respectively.

5. Land, Buildings, and Improvements

Saint Mark's building and the land upon which it sits are owned by the Diocese of Wilmington Schools, Inc., of which Saint Mark's is an operating segment. In lieu of rental expense, Saint Mark's is responsible for all annual repairs, maintenance and capital expenditures.

In 2002 Saint Mark's leased 120 Apple laptop computers for all faculty to use in their jobs. The lease is accounted for as a capital lease. The laptops were placed into service in the 2002-2003 school year. Saint Mark's expects to depreciate them over two years.

At June 30, 2002 and 2001, land, buildings, and improvements consisted of the following:

	2002	2001
Land and improvements	\$ 783,500	\$ 783,500
Building and improvements	9,641,105	9,641,105
Leased computers	<u>224,160</u>	<u>-</u>
	<u>\$10,648,765</u>	<u>\$10,424,605</u>

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6. Deferred Income

At June 30, 2002 and 2001 deferred income consisted of the following:

	2002	2001
Tuition fees, and bus	\$1,153,133	\$1,245,796
Math & science camp/ other	6,900	9,700
Development	8,290	26,622
	<u>\$1,168,323</u>	<u>\$1,282,118</u>

7. Third-Party Funds

Third-party funds represent money held and accounted for by the finance office of Saint Mark's for the benefit of various organizations and clubs.

As of June 30, 2002 and 2001 these funds were the property of the following:

	2002	2001
Athletics Association Fund	\$31,251	\$18,792
Band Boosters Fund	9,859	8,740
Chorus Fund	4,534	5,314
Class Reunion Fund	-	(1,100)
Field Trip Fund	-	8,971
Student Activities Fund	24,913	25,438
	<u>\$70,557</u>	<u>\$66,156</u>

8. Refundable Advances

The State of Delaware transportation grant is classified as an agency or "pass through" transaction. Accordingly, Saint Mark's does not record revenue or expense from this program. The activity in the refundable advance account is reported as follows:

	2002	2001
Refundable advances, beginning of year	\$226,549	\$231,306
Grant awards received	211,116	205,714
Grant expenditures	(210,095)	(210,471)
Refundable advances, end of year	<u>\$227,570</u>	<u>\$226,549</u>

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9. Note Payable

The Diocese advanced \$400,000 to Saint Mark's for improvement to its roof. This loan is in the form of a note payable, and is non-interest bearing with remaining repayment terms of \$45,000 per year through 2005. The balance as of June 30, 2002 and 2001 was \$180,000 and \$225,000, respectively.

10. Leases

In 2002 Saint Mark's signed a \$224,160 non-interest lease with GE Capital for 120 Apple laptop computers. The contract calls for two annual payments of \$112,040, due December 2002 and 2003. The lease liability is classified in notes payable.

Saint Mark's leases copiers under operating leases expiring in various years through January 2004. Rental expense for the years ended June 30, 2002 and 2001 was \$62,853 and \$45,366, respectively.

Future minimum rental payments at June 30, 2002, under agreements classified as operating leases with noncancelable terms in excess of one year, are as follows:

2003	\$ 57,483
2004	<u>28,741</u>
Total	<u>\$ 86,224</u>

11. Pension Plans

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including Saint Mark's. The Plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined in the Plan document. The Diocese incurred expense on behalf of Saint Mark's of approximately \$391,000 and \$346,000 for the years ended June 30, 2002 and 2001, respectively. Saint Mark's does not reimburse the Diocese for this cost. Accordingly, Saint Mark's recorded this transaction as public support-Diocesan contributions and an increase in benefit expense.

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12. Related Party Transactions

Certain members of Saint Mark's board are also board members of the Diocese, a related entity.

Saint Mark's receives contributions and grants from the Diocese and the Catholic Diocese Foundation. These entities are related to Saint Mark's through common control. A summary of the contributions and grants received from these entities for the years ended June 30, 2002 and 2001 is as follows:

	2002	2001
Revenue and support - Diocesan contributions:		
Catholic Diocese of Wilmington:		
Annual Catholic Appeal	\$ 188,000	\$ 188,000
Saint Mark's Educational Trust - financial aid	70,000	-
Scholarships	32,000	39,040
Vision - financial aid	9,600	14,900
Pension, LTD and Life insurance	456,000	404,000
Capital replacement fund	342,597	25,000
Saint Mark's reserve fund	29,000	28,000
Catholic Diocese Foundation:		
Capital projects	80,000	78,000
	<u>\$ 1,207,197</u>	<u>\$ 776,940</u>

For the years ended 2002 and 2001, the Diocese also paid Saint Mark's convent rent of \$3,300 and \$3,060, respectively, which Saint Mark's reports as auxiliary program revenue.

Saint Mark's contributes to funds held and administered by the Diocese and the Diocese of Wilmington Schools, Inc. These entities are related to Saint Mark's through common control. A summary of the contributions to these entities for the years ended June 30, 2002 and 2001 is as follows:

	2002	2001
Contributions to Catholic Diocese of Wilmington held funds:		
St. Mark's Capital Replacement Fund	\$ 114,000	\$ 108,000
St. Mark's Long Range Plan Operating Reserve Fund	17,378	777
St. Mark's Educational Trust	13,200	65,775
	<u>\$ 144,578</u>	<u>\$ 174,552</u>
Contributions to Diocese of Wilmington Schools, Inc. held funds:		
Bus Program (included in auxiliary expense)	\$ 257,040	\$ 265,000

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13. Income Taxes

Diocese of Wilmington Schools, Inc., of which Saint Mark's is an operating segment, is a not-for-profit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.