

Quinquennial Report

Supplemental Information

As a result of the significant volume of data necessary to satisfactorily address item XXI A-1, the Financial State of the Diocese - Statistics/General Economic Situation, this supplemental information has been compiled. It contains multiple audited financial statements covering the years 1998 - 2002, and the budget for the present year (Fiscal Year Ending June 30, 2003) for the twelve Diocesan organizations. This information is summarized by section according to the index which follows on the succeeding page. A thirteenth section contains the information specific to item XXI A-3, assistance made to other dioceses and contributions towards the needs of the Apostolic See and the Peter's Pence Offering.

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

Ref:

1. Catholic Diocese of Wilmington, Inc.
2. Catholic Cemeteries, Inc.
3. Catholic Diocese Foundation
4. Catholic Ministry to the Elderly, Inc.
5. Catholic Youth Organization, Inc.
6. St. Mark's High School
7. Catholic Charities, Inc.
8. Catholic Press of Wilmington, Inc.
9. Children's Home, Inc.
10. Seton Villa, Inc.
11. Siena Hall, Inc.
12. St. Thomas More Academy
13. Other Data: Assistance to Other Dioceses; Contributions towards the needs of the Apostolic See; Proceeds of the Peter's Pence Collection

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

Entity: Catholic Diocese of Wilmington, 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 Diocese of
Wilmington, Inc.**

**Financial Statements for the Years Ended
June 30, 2002 and 2001**

Catholic Diocese of Wilmington, Inc.
Table of Contents
June 30, 2002 and 2001

	Page(s)
Report of Independent Accountants	1
Financial Statements:	
Balance Sheets - Modified Cash Basis	2-3
Statements of Activities and Changes in Net Assets - Modified Cash Basis	4-5
Statements of Cash Flows - Modified Cash Basis	6
Notes to Financial Statements	7 - 14

Report of Independent Accountants

To the Audit Committee
Catholic Diocese of Wilmington, Inc.
Wilmington, Delaware

We have audited the accompanying balance sheets – modified cash basis of the Catholic Diocese of Wilmington, Inc. (the Diocese) as of June 30, 2002 and 2001 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Diocese'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.

As described in Note 1, these financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Diocese 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, 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. The effects of not complying with SFAS 93 and of not capitalizing equipment are not reasonably determinable.

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 the Diocese as of June 30, 2002 and 2001 and the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

PricewaterhouseCoopers LLP

November 6, 2002

Catholic Diocese of Wilmington, Inc.
Balance Sheet - Modified Cash Basis
June 30, 2002

Assets	2002					2001
	Unrestricted			Restricted	Total	
	General	Designated	Total			
Cash and cash equivalents	\$ 543,745	\$ 55,037	\$ 598,782	\$ 48,696	\$ 647,478	\$ 1,187,328
Pooled investments	9,987,268	22,609,387	32,596,655	7,621,397	40,218,052	52,696,923
Other investments - priests' health and welfare trusts	-	6,056,671	6,056,671	-	6,056,671	6,989,230
Other assets (net)	903,538	156,420	1,059,958	64,362	1,124,320	544,990
Pledges receivable (net)	-	-	-	16,071,395	16,071,395	7,670,486
Notes receivable	708,625	-	708,625	-	708,625	746,378
Real estate	1,164,680	-	1,164,680	-	1,164,680	1,164,680
Assets held for affiliates	-	-	-	71,065,255	71,065,255	80,348,363
Total assets	\$13,307,856	\$28,877,515	\$42,185,371	\$ 94,871,105	\$137,056,476	\$151,348,378
Liabilities and Net Assets						
Accounts payable and accrued expenses	\$ 2,116,859	\$ -	\$ 2,116,859	\$ 13,035,824	\$ 15,152,683	\$ 7,828,375
Assets due to affiliates	-	-	-	71,065,255	71,065,255	80,348,363
Total liabilities	2,116,859	-	2,116,859	84,101,079	86,217,938	88,176,738
Net assets:						
Unrestricted - general	11,190,997	-	11,190,997	-	11,190,997	12,763,415
Unrestricted - designated	-	28,877,515	28,877,515	-	28,877,515	32,682,152
Temporarily restricted	-	-	-	5,238,197	5,238,197	12,194,244
Permanently restricted	-	-	-	5,531,829	5,531,829	5,531,829
Total net assets	11,190,997	28,877,515	40,068,512	10,770,026	50,838,538	63,171,640
Total liabilities and net assets	\$13,307,856	\$28,877,515	\$42,185,371	\$ 94,871,105	\$137,056,476	\$151,348,378

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

Catholic Diocese of Wilmington, Inc.
Balance Sheet - Modified Cash Basis
June 30, 2001

Assets	2001				
	Unrestricted			Restricted	Total
	General	Designated	Total		
Cash and cash equivalents	\$ 761,070	\$ 89,857	\$ 850,927	\$ 336,401	\$ 1,187,328
Pooled investments	11,115,299	25,492,992	36,608,291	16,088,632	52,696,923
Other investments - priests' health and welfare trusts	-	6,989,230	6,989,230	-	6,989,230
Other assets (net)	377,567	110,073	487,640	57,350	544,990
Pledges receivable (net)	-	-	-	7,670,486	7,670,486
Notes receivable	746,378	-	746,378	-	746,378
Real estate	1,164,680	-	1,164,680	-	1,164,680
Assets held for affiliates	-	-	-	80,348,363	80,348,363
Total assets	\$ 14,164,994	\$ 32,682,152	\$ 46,847,146	\$ 104,501,232	\$ 151,348,378
Liabilities and Net Assets					
Accounts payable and accrued expenses	\$ 1,401,579	\$ -	\$ 1,401,579	\$ 6,426,796	\$ 7,828,375
Assets due to affiliates	-	-	-	80,348,363	80,348,363
Total liabilities	1,401,579	-	1,401,579	86,775,159	88,176,738
Net assets:					
Unrestricted - general	12,763,415	-	12,763,415	-	12,763,415
Unrestricted - designated	-	32,682,152	32,682,152	-	32,682,152
Temporarily restricted	-	-	-	12,194,244	12,194,244
Permanently restricted	-	-	-	5,531,829	5,531,829
Total net assets	12,763,415	32,682,152	45,445,567	17,726,073	63,171,640
Total liabilities and net assets	\$ 14,164,994	\$ 32,682,152	\$ 46,847,146	\$ 104,501,232	\$ 151,348,378

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

Catholic Diocese of Wilmington, Inc.
Statement of Activities and Changes in Net Assets - Modified Cash Basis
For the Year Ended June 30, 2002

	Unrestricted			Temporarily Restricted		Permanently Restricted	Total
	General	Designated	Total	General	Capital Campaign		
Revenues and other support:							
Assessments	\$ 3,171,993	\$ -	\$ 3,171,993	\$ -	\$ -	\$ -	\$ 3,171,993
Annual appeal	2,014,179	-	2,014,179	-	-	-	2,014,179
Pooled investment loss	(412,662)	(1,779,788)	(2,192,450)	(1,077,048)	(7,082)	-	(3,276,580)
Other investment loss	-	-	-	-	-	-	-
priests' health and welfare trusts	-	(545,949)	(545,949)	-	-	-	(545,949)
Collections	-	88,260	88,260	947,041	-	-	1,035,301
Contributions	74,631	479,134	553,765	583,374	5,666,921	-	6,804,060
CDF Grant	-	25,000	25,000	-	-	-	25,000
Priests' insurance premiums	-	1,223,226	1,223,226	-	-	-	1,223,226
Lay employee insurance premiums (see Note 4)	-	5,040,967	5,040,967	-	-	-	5,040,967
Other	220,887	191,517	412,404	33,623	-	-	446,027
Net assets released from restrictions	892,880	12,209,996	13,102,876	(2,787,738)	(10,315,138)	-	-
Total revenue and other support	5,961,908	16,932,363	22,894,271	(2,300,748)	(4,655,299)	-	15,938,224
Expenses:							
Program services:							
Catholic Charities	923,416	181,797	1,105,213	-	-	-	1,105,213
Catholic education	739,488	-	739,488	-	-	-	739,488
Communication	87,186	-	87,186	-	-	-	87,186
Distributions:							
Education Fund	-	1,212,588	1,212,588	-	-	-	1,212,588
Other funds	-	720,230	720,230	-	-	-	720,230
National collections	-	974,046	974,046	-	-	-	974,046
Other	344,940	-	344,940	-	-	-	344,940
Pastoral services	820,355	709,436	1,529,791	-	-	-	1,529,791
Total program services	2,915,385	3,798,097	6,713,482	-	-	-	6,713,482
Supporting services:							
Administration	2,529,588	1,785,149	4,314,737	-	-	-	4,314,737
Capital expenditures	152,368	9,107,002	9,259,370	-	-	-	9,259,370
Development	300,033	-	300,033	-	-	-	300,033
Finance	390,738	-	390,738	-	-	-	390,738
Priests' insurance expense	-	1,016,537	1,016,537	-	-	-	1,016,537
Lay employee insurance expense (see Note 4)	-	5,030,215	5,030,215	-	-	-	5,030,215
Lay employee benefits	1,246,214	-	1,246,214	-	-	-	1,246,214
Total supporting services	4,618,941	16,938,903	21,557,844	-	-	-	21,557,844
Total expenses	7,534,326	20,737,000	28,271,326	-	-	-	28,271,326
Changes in net assets	(1,572,418)	(3,804,637)	(5,377,055)	(2,300,748)	(4,655,299)	-	(12,333,102)
Net assets at beginning of year	12,763,415	32,682,152	45,445,567	10,489,408	1,704,836	5,531,829	63,171,640
Net assets at end of year	\$11,190,997	\$28,877,515	\$40,068,512	\$ 8,188,660	\$(2,950,463)	\$5,531,829	\$50,838,538

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

Catholic Diocese of Wilmington, Inc.
Statement of Activities and Changes in Net Assets - Modified Cash Basis
For the Year Ended June 30, 2001

	Unrestricted			Temporarily Restricted		Permanently Restricted	Total
	General	Designated	Total	General	Capital Campaign		
Revenues and other support:							
Assessments	\$ 2,902,869	\$ -	\$ 2,902,869	-	-	\$ -	\$ 2,902,869
Annual appeal	2,744,158	-	2,744,158	-	-	-	2,744,158
Pooled investment income (loss)	(328,624)	(694,674)	(1,023,298)	\$ 29,969	\$ (94)	-	(993,423)
Other investment income (loss) -- priests' health and welfare trusts	-	(542,498)	(542,498)	-	-	-	(542,498)
Collections	49,882	127,961	177,843	1,088,474	-	-	1,266,317
Contributions	70,941	528,480	599,421	680,789	3,569,631	-	4,849,841
CDF Grant	5,298	25,000	30,298	-	-	-	30,298
Priests' insurance premiums	-	1,059,436	1,059,436	-	-	-	1,059,436
Lay employee insurance premiums (see Note 4)	-	3,829,693	3,829,693	-	-	-	3,829,693
Other	300,814	106,917	407,731	77,994	-	-	485,725
Net assets released from restrictions	345,711	4,176,965	4,522,676	(2,657,975)	(1,864,701)	-	-
Total revenue and other support	6,091,049	8,617,280	14,708,329	(780,749)	1,704,836	-	15,632,416
Expenses:							
Program services:							
Catholic Charities	845,799	200,119	1,045,918	-	-	-	1,045,918
Catholic education	638,704	-	638,704	-	-	-	638,704
Communication	106,758	-	106,758	-	-	-	106,758
Distributions:							
Education Fund	-	1,294,057	1,294,057	-	-	-	1,294,057
Other funds	-	1,462,293	1,462,293	-	-	-	1,462,293
National collections	49,882	793,931	843,813	-	-	-	843,813
Other	794,680	-	794,680	-	-	-	794,680
Pastoral services	786,173	680,412	1,466,585	-	-	-	1,466,585
Total program services	3,221,996	4,430,812	7,652,808	-	-	-	7,652,808
Supporting services:							
Administration	2,352,585	1,200,039	3,552,624	-	-	-	3,552,624
Capital expenditures	138,052	-	138,052	-	-	-	138,052
Development	382,474	-	382,474	-	-	-	382,474
Finance	372,543	-	372,543	-	-	-	372,543
Priests' insurance expense	-	1,167,949	1,167,949	-	-	-	1,167,949
Lay employee insurance expense (see Note 4)	-	4,428,862	4,428,862	-	-	-	4,428,862
Lay employee benefits	1,249,432	-	1,249,432	-	-	-	1,249,432
Total supporting services	4,495,086	6,796,850	11,291,936	-	-	-	11,291,936
Total expenses	7,717,082	11,227,662	18,944,744	-	-	-	18,944,744
Changes in net assets	(1,626,033)	(2,610,382)	(4,236,415)	(780,749)	1,704,836	-	(3,312,328)
Net assets at beginning of year	14,389,448	35,292,534	49,681,982	11,270,157	-	\$5,531,829	66,483,968
Net assets at end of year	\$12,763,415	\$32,682,152	\$45,445,567	\$10,489,408	\$1,704,836	\$5,531,829	\$63,171,640

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

Catholic Diocese of Wilmington, Inc.
Statements of Cash Flows - Modified Cash Basis
For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Changes in net assets	\$(12,333,102)	\$(3,312,328)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net depreciation on pooled investments	4,107,090	2,216,854
Net depreciation on other investments - priests' health and welfare trusts	738,497	763,903
Bad debt expense	1,208,136	701,065
Changes in assets and liabilities:		
Pledges receivable	(9,609,045)	(8,263,706)
Other assets (net)	(579,330)	(42,507)
Assets held for affiliates	9,283,108	6,556,119
Accounts payable and accrued expenses	7,324,308	6,741,312
Assets due to affiliates	<u>(9,283,108)</u>	<u>(6,556,119)</u>
Net cash used in operating activities	<u>(9,143,446)</u>	<u>(1,195,407)</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments for operations	10,950,582	5,718,283
Reinvestment of interest and dividends into pooled investments	(830,510)	(1,223,431)
Reinvestment of interest and dividends into other investments - priests' health and welfare trusts	(192,548)	(221,405)
Deposits into pooled investments	(6,051,284)	(5,910,440)
Amounts drawn from other investments for priests' pension payments	367,778	336,202
Amounts drawn from pooled investments for health insurance	4,321,825	3,740,836
Issuance of notes receivable	(14,363)	(410,045)
Repayments of notes receivable	<u>52,116</u>	<u>52,718</u>
Net cash provided by investing activities	<u>8,603,596</u>	<u>2,082,718</u>
Net (decrease)/increase in cash	(539,850)	887,311
Cash and cash equivalents at beginning of year	<u>1,187,328</u>	<u>300,017</u>
Cash and cash equivalents at end of year	<u>\$ 647,478</u>	<u>\$ 1,187,328</u>

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

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

1. Summary of Significant Accounting Policies

Nature of Operations

Catholic Diocese of Wilmington, Inc. (the Diocese) is a not-for-profit corporation having as its objects and purposes the promotion of the teachings of Jesus Christ, as taught and set forth by the Roman Catholic Church throughout the Diocese in the State of Delaware and the nine (9) Counties of the State of Maryland's Eastern Shore and such territory over which the Diocese will have jurisdiction as delegated by proper authority of the Universal Roman Catholic Church.

Basis of Reporting

The Diocese reports using the modified cash basis of accounting, which differs from the accrual basis principally in not recognizing certain pledges and grants and in not establishing accruals for pension liabilities and priests' health and welfare trusts. The preparation of financial statements in conformity with these 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.

The accompanying financial statements reflect only the operation of the Diocese. Certain other operating entities have not been combined in the accompanying statements, the more significant of which are as follows:

Affiliated Parishes and Schools
Catholic Cemeteries, Inc.
Catholic Charities, Inc.
Catholic Diocese Foundation
Catholic Ministry to the Elderly, Inc.
Catholic Press of Wilmington, Inc.
Catholic Youth Organization, Inc.
Children's Home, Inc.
Diocese of Wilmington Schools, Inc.
Seton Villa, Inc.
Siena Hall, Inc.

The Diocese acts as a fiduciary for these entities by investing funds in its pooled investment and cash management accounts on behalf of these entities.

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.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

- **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. Temporarily restricted net assets are primarily restricted for youth education and related activities, education of men for the priesthood, and the upkeep of specific facilities.
- **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.

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 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.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. The Diocese investments in cash and cash equivalents are interest bearing. At times these amounts may exceed federally insured limits.

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.

The Diocese manages an investment pool for its investments and those of its affiliated organizations. The investment pool 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.

Pledges Receivable

Except for pledges made to the Annual Catholic Appeal and grants made by the Catholic Diocese Foundation, Inc., which are accounted for on a cash basis, unconditional promises to give are reported at fair value as pledges receivable and contributions in the period the promise is received. All pledges are due in one to five years. The Diocese is not the recipient of any conditional pledges.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

Real Estate and Equipment

Real estate consists of buildings and the related land. All real estate acquisitions are capitalized at cost, when purchased, or at fair value at date of gift, when donated. Equipment is expensed at the time of purchase.

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 Diocese has not adopted SFAS 93.

Assets Held for/Due to Affiliates

These assets are owned by the affiliated corporations and invested for the affiliates by the Diocese in the pooled investments.

2. Pooled Investments

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

	2002	2001
Cash and cash equivalents	\$ 1,894,581	\$ 2,451,555
Fixed income	11,411,771	14,487,903
Domestic equity	20,773,266	28,537,920
International equity	<u>6,138,434</u>	<u>7,219,545</u>
Total pooled investments	<u>\$40,218,052</u>	<u>\$52,696,923</u>

The composition of other investments – priests' health and welfare trusts at June 30, 2002 and 2001 was as follows:

	2002	2001
Cash and cash equivalents	\$ (42,917)	\$ (106,516)
Fixed income	2,723,238	2,616,674
Domestic equity	<u>3,376,350</u>	<u>4,479,072</u>
Total other investments	<u>\$6,056,671</u>	<u>\$6,989,230</u>

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

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

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

	2002	2001
Interest and dividends	\$ 830,510	\$ 1,223,431
Net (loss) appreciation	<u>(4,107,090)</u>	<u>(2,216,854)</u>
Pooled investment (loss) income	<u>\$ (3,276,580)</u>	<u>\$ (993,423)</u>

The pooled investment income was net of custodial and advisory fees in the amounts of \$309,066 and \$344,184 for the years ended June 30, 2002 and 2001, respectively.

Other investment income – priests' health and welfare trusts for the years ended June 30, 2002 and 2001 consisted of the following:

	2002	2001
Interest and dividends	\$ 192,548	\$ 221,405
Net (loss) appreciation	<u>(738,497)</u>	<u>(763,903)</u>
Other investment (loss) income	<u>\$(545,949)</u>	<u>\$(542,498)</u>

3. Notes Receivable

Notes receivable at June 30, 2002 and 2001 were as follows:

	2002	2001
Korean Catholic Community - interest payable at 2.8% in monthly installments of \$948.95 over 15 years, starting June 2000	\$ 104,666	\$ 111,333
St. Mark's High School (roof repairs) - payable in annual installments of \$40,000 the first year and \$45,000 the next eight years beginning December 30, 1997, non-interest bearing	180,000	225,000
St. Hedwig	53,430	53,430
Other	800	-
Diocese of Wilmington Schools, Inc.	<u>369,729</u>	<u>356,615</u>
Total notes receivable	<u>\$ 708,625</u>	<u>\$ 746,378</u>

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

4. Capital Campaign

During the fiscal year ended June 30, 2001, the Diocese initiated a Capital Campaign. Pledges received as part of the Capital Campaign are shared by the Diocese and individual parishes based on a predetermined formula. Pledges are receivable over a period of up to five years. Pledges receivable over the next five years are as follows:

2003	\$ 7,351,713
2004	6,754,850
2005	3,203,563
2006	1,550,527
2007	313,168
2008	<u>600</u>
Total	19,174,421
Discount for net present value	(1,270,647)
Allowance for uncollectible pledges	<u>(1,909,201)</u>
Total Capital Campaign pledges receivable	<u>\$ 15,994,573</u>
Liability to parishes at June 30, 2002, included in accounts payable and accrued expenses	<u>\$ 13,035,824</u>
Diocese pledge revenue for the year ended June 30, 2002	<u>\$ 5,666,921</u>

The Capital Campaign will continue in future periods.

5. Related Party Transactions

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

The Diocese includes on its balance sheet assets held for/due to affiliated corporations which are reported in restricted net assets. These assets are owned by the affiliated corporations and are included in the financial statements of the Diocese to portray the fiduciary relationship on these assets.

The Diocese received assessments from its parishes in the amount of \$3,171,993 and \$2,902,869 for the years ended June 30, 2002 and 2001, respectively, and from Catholic Cemeteries in the amount of \$120,000 and \$114,000, respectively.

During 2002 and 2001, the Catholic Diocese Foundation awarded the Diocese \$175,000 and \$185,110, respectively. Because the Diocese reports on a modified cash basis, only the cash amounts received of \$25,000 and \$30,298, respectively, from the Catholic Diocese Foundation were included on the statements of activities of the Diocese.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

During 2002 and 2001, St. Mark's contributed \$144,578 and \$174,552, respectively, to funds held and administered by the Diocese and Diocese of Wilmington Schools, Inc.

The Diocese disburses funds on behalf of Catholic Youth Organization, Inc. (CYO) for wages, payroll taxes and health benefits. During the years ended June 30, 2002 and 2001, the Diocese disbursed a total of \$237,220 and \$217,160, respectively, on behalf of CYO. Of these balances, amounts still due to the Diocese of approximately \$10,715 and \$15,407, respectively, are included in other assets for the years ended June 30, 2002 and 2001.

The Diocese disburses funds on behalf of the Catholic Press of Wilmington, Inc. (Press) for wages, payroll taxes, health benefits and other miscellaneous expenses. During the years ended June 30, 2002 and 2001, the Diocese disbursed a total of \$332,289 and \$305,567, respectively, on behalf of Press. Of these balances, amounts still due to the Diocese of approximately \$55,000 and \$53,000, respectively, are included in other assets for the years ended June 30, 2002 and 2001.

The Diocese disburses funds on behalf of St. Thomas More Academy (St. Thomas) for wages, payroll taxes and health benefits. During the years ended June 30, 2002 and 2001, the Diocese disbursed a total of \$907,333 and \$815,939, respectively, on behalf of St. Thomas. Of these balances, amounts still due to the Diocese of approximately \$81,000 and \$72,000, respectively, are included in other assets for the years ended June 30, 2002 and 2001.

The Diocese provided funding to related organizations. The more significant funding provided was as follows:

	2002	2001
Press	\$ 467,701	\$ 425,183
Catholic Charities, Inc.	923,416	845,799
St. Mark's High School	1,207,197	776,940
CYO	129,900	123,504
St. Thomas	508,270	466,880

The Diocese provides administrative services for the Catholic Diocese Foundation, CYO, the Press, and St. Thomas. The Catholic Diocese Foundation was invoiced \$10,623 and \$10,207 for these services for the years ended June 30, 2002 and 2001, respectively. The Diocese absorbed the cost of the services to CYO, the Press, and St. Thomas since the amounts are not significant.

The Diocese pays all claims and other expenses related to their self-insurance plan, which commenced on July 1, 1998. The self-insurance plan covers health insurance, workers' compensation and automobile insurance, and property and liability insurance. Each affiliated corporation pays the Diocese a premium for their portion of the plan claims and expenses. In 2002 and 2001, the Diocese received approximately \$5,000,000 and \$3,800,000, respectively, in premium revenue from affiliated corporations. These premiums are invested in an insurance reserve fund, and the Diocese pays all claims out of this fund. In 2002 and 2001, the Diocese paid approximately \$5,000,000 and \$4,200,000, respectively, in actual claims. Included in accounts payable and accrued expenses is an amount for estimated incurred but not reported claims.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

The Diocese also sponsors a health and welfare trust for priests, which became self-insured effective January 1, 2001. Each affiliated corporation pays the Diocese a premium for their portion of the plan's claims and expenses. The Diocese received approximately \$1,200,000 and \$1,100,000 in premium revenues from affiliated corporations in the years ended June 30, 2002 and 2001, respectfully.

The Diocese provides life insurance and long-term disability for all full-time employees of the Diocese, parishes, and certain affiliated corporations, at no cost to those entities since these amounts were not significant. The Diocese also provides pension for all full-time employees of the Diocese, parishes and certain affiliated corporations. Approximately \$75,000 and \$59,300 of pension costs were charged to other entities for the years ended June 30, 2002 and 2001, respectively.

The Diocese charged rental fees of \$2,136 and \$2,052 for the years ended June 30, 2002 and 2001, respectively, to the Catholic Diocese Foundation and rental fees of \$22,932 and \$22,050 for the years ended June 30, 2002 and 2001, respectively, to the Press. A diocesan-owned building was used by CYO, without charge, since the value was not significant.

6. Pension Plans

The Diocese sponsors a noncontributory defined benefit pension plan (the Plan) covering all full-time lay employees of the Diocese, parishes, and affiliated corporations, except Catholic Charities, which has a separate plan. The Plan benefits are based on a monthly pension equal to 1% of the high five-year average compensation for each year of service. The following table sets forth the Plan's status determined using the measurement dates of January 1, 2002 and 2001:

	2002	2001
Accumulated benefit obligation, including vested benefits of \$15,301,980 and \$13,485,717	\$ 15,862,621	\$ 13,987,131
Plan assets at fair value	9,201,254	9,550,328

The more significant actuarial assumptions utilized as of each valuation date are as follows:

Cost method	Aggregate
Interest rate	7.5% per annum
Discount rate	7.5% per annum
Mortality	1984 Uniform Premium Table
Salary progression	4.0% per annum

For the years ended June 30, 2002 and 2001, \$1,000,000 and \$750,000, respectively, was funded into the Plan and included as an expense in the statement of activities.

The fair value of Plan assets as of June 30, 2002 and 2001 was \$8,912,442 and \$9,518,550, respectively. The Plan assets are invested in Domestic Equity and Domestic Bonds.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2002 and 2001

The Diocese has also established a Revocable Priests Retirement and Welfare Trust to cover the health and retirement cost of the clergy of the Diocese. As of June 30, 2002 and 2001 the fund assets totaled \$6,056,671 and \$6,989,230, respectively. This balance is included within other investments on the balance sheet.

7. Income Taxes

The Diocese 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.

8. Commitments and Contingencies

The Diocese will support the operations of other related entities to the extent that those entities are not financially self-sufficient.

In addition, the Diocese will support the operations of St. Thomas during the first several school years of operation when enrollment levels and corresponding tuition is not expected to cover operating expenses and planned capital expenditures. It is estimated that approximately \$3.5 to \$4.5 million of Diocesan support will be required for St. Thomas for the years 1998 through 2004. As described in Note 5, during 2002 and 2001, approximately \$508,000 and \$467,000, respectively, was provided to St. Thomas by the Diocese in the form of contributions. It is expected that further support will be provided by loans or additional contributions from the Diocese.

The Diocese is subject to lawsuits and claims with respect to various matters that arise out of the normal course of its operations. In the opinion of the Diocese's internal and external counsel, considerable uncertainty exists with respect to the outcome of these matters. An estimate of the expected liability for these matters is included in the balance sheet at June 30, 2002. Actual results could differ from this estimate. Management does not anticipate that the ultimate liabilities from these matters will have a material adverse effect on the financial position or liquidity of the Diocese.

Catholic Diocese of Wilmington, Inc.

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

Catholic Diocese of Wilmington, Inc.
Table of Contents
June 30, 2000 and 1999

	Page(s)
Report of Independent Accountants	1
Financial Statements:	
Balance Sheets - Modified Cash Basis	2-3
Statements of Activities and Changes in Net Assets - Modified Cash Basis	4-5
Statements of Cash Flows - Modified Cash Basis	6
Notes to Financial Statements	7 - 14

Report of Independent Accountants

To the Audit Committee
Catholic Diocese of Wilmington, Inc.
Wilmington, Delaware

We have audited the accompanying balance sheets - modified cash basis of the Catholic Diocese of Wilmington, Inc. (the Diocese) as of June 30, 2000 and 1999, and the related statements of activities and changes in net assets and cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of the Diocese'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 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.

As described in Note 1, these financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Diocese 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, 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. The effects of not complying with SFAS 93 and of not capitalizing equipment are not reasonably determinable.

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 the Diocese as of June 30, 2000 and 1999 and the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

PricewaterhouseCoopers LLP

October 6, 2000

Catholic Diocese of Wilmington, Inc.
Balance Sheet - Modified Cash Basis
June 30, 2000 and 1999

Assets	2000			1999		
	Unrestricted			Restricted	Total	Total
	General	Designated	Total			
Cash and cash equivalents	\$ 92,885	\$ 37,086	\$ 129,971	\$ 170,046	\$ 300,017	\$ 586,544
Pooled investments	13,383,292	27,308,575	40,691,867	16,468,215	57,160,082	52,548,280
Other investments - priests' health and welfare trusts	-	7,946,873	7,946,873	-	7,946,873	8,180,815
Other assets	446,603	-	446,603	55,880	502,483	764,629
Pledges receivable	-	-	-	107,845	107,845	116,622
Notes receivable, net of allowance	389,051	-	389,051	-	389,051	968,120
Real estate	1,164,680	-	1,164,680	-	1,164,680	1,164,680
Assets held for affiliates	-	-	-	86,904,482	86,904,482	79,705,147
Total assets	\$15,476,511	\$35,292,534	\$50,769,045	\$103,706,468	\$154,475,513	\$144,034,837
Liabilities and Net Assets						
Accounts payable and accrued expenses	1,087,063	-	1,087,063	-	1,087,063	618,514
Assets due to affiliates	-	-	-	86,904,482	86,904,482	79,705,147
Total liabilities	1,087,063	-	1,087,063	86,904,482	87,991,545	80,323,661
Net assets:						
Unrestricted - general	14,389,448	-	14,389,448	-	14,389,448	14,339,087
Unrestricted - designated	-	35,292,534	35,292,534	-	35,292,534	32,144,601
Temporarily restricted	-	-	-	11,270,157	11,270,157	10,956,559
Permanently restricted	-	-	-	5,531,829	5,531,829	5,311,829
Total net assets	14,389,448	35,292,534	49,681,982	16,801,986	66,483,968	63,711,176
Total liabilities and net assets	\$15,476,511	\$35,292,534	\$50,769,045	\$103,706,468	\$154,475,513	\$144,034,837

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

Catholic Diocese of Wilmington, Inc.
Balance Sheet - Modified Cash Basis
June 30, 1999

Assets	1999				
	Unrestricted			Restricted	Total
	General	Designated	Total		
Cash and cash equivalents	\$ 437,094	\$ 24,086	\$ 461,180	\$ 125,364	\$ 586,544
Pooled investments	12,628,904	23,886,580	36,515,484	16,032,796	52,548,280
Other investments – priests' health and welfare trusts	-	8,180,815	8,180,815	-	8,180,815
Other assets	711,923	-	711,923	52,706	764,629
Pledges receivable	-	-	-	116,622	116,622
Notes receivable, net of allowance	315,000	653,120	968,120	-	968,120
Real estate	1,164,680	-	1,164,680	-	1,164,680
Assets held for affiliates	-	-	-	79,705,147	79,705,147
Total assets	\$15,257,601	\$32,744,601	\$48,002,202	\$ 96,032,635	\$144,034,837
Liabilities and Net Assets					
Accounts payable and accrued expenses	618,514	-	618,514	-	618,514
Assets due to affiliates	-	-	-	79,705,147	79,705,147
Total liabilities	618,514	-	618,514	79,705,147	80,323,661
Net assets:					
Unrestricted - general	14,639,087	-	14,639,087	-	14,639,087
Unrestricted - designated	-	32,744,601	32,744,601	-	32,744,601
Temporarily restricted	-	-	-	10,795,659	10,795,659
Permanently restricted	-	-	-	5,531,829	5,531,829
Total net assets	14,639,087	32,744,601	47,383,688	16,327,488	63,711,176
Total liabilities and net assets	\$15,257,601	\$32,744,601	\$48,002,202	\$ 96,032,635	\$144,034,837

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

Catholic Diocese of Wilmington, Inc.

Statement of Activities and Changes in Net Assets - Modified Cash Basis

For the Year Ended June 30, 2000

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General	Designated	Total			
Revenues and other support:						
Assessments	\$ 2,833,819	-	\$ 2,833,819	-	-	\$ 2,833,819
Annual appeal	2,627,875	-	2,627,875	-	-	2,627,875
Pooled investment income	1,657,066	\$ 3,060,851	4,717,917	\$ 1,740,536	-	6,458,453
Other investment income – priests' health and welfare trusts	-	263,177	263,177	-	-	263,177
Collections	44,937	63,724	108,661	1,070,772	-	1,179,433
Contributions	99,855	570,201	670,056	303,652	-	973,708
CDF Grant	44,841	20,000	64,841	-	-	64,841
Priests' insurance premiums	-	1,061,696	1,061,696	-	-	1,061,696
Lay employee insurance premiums (see Note 4)	-	3,634,804	3,634,804	-	-	3,634,804
Other	184,506	154,900	339,406	28,026	-	367,432
Net assets released from restrictions	210,840	2,457,648	2,668,488	(2,668,488)	-	-
Total revenue and other support	7,703,739	11,287,001	18,990,740	474,498	-	19,465,238
Expenses:						
Program services:						
Catholic Charities	998,900	194,533	1,193,433	-	-	1,193,433
Catholic education	651,997	-	651,997	-	-	651,997
Communication	82,131	-	82,131	-	-	82,131
Distributions:						
Education Fund	-	961,004	961,004	-	-	961,004
Other funds	-	293,241	293,241	-	-	293,241
National collections	44,937	832,965	877,902	-	-	877,902
Other	946,282	-	946,282	-	-	946,282
Pastoral services	761,313	960,764	1,722,077	-	-	1,722,077
Total program services	3,485,560	3,242,507	6,728,067	-	-	6,728,067
Supporting services:						
Administration	2,472,183	1,181,620	3,653,803	-	-	3,653,803
Capital expenditures	64,259	-	64,259	-	-	64,259
Development	347,445	39,544	386,989	-	-	386,989
Finance	358,103	-	358,103	-	-	358,103
Priests' insurance expense	-	887,173	887,173	-	-	887,173
Lay employee insurance expense (see Note 4)	-	3,388,224	3,388,224	-	-	3,388,224
Lay employee benefits	1,225,828	-	1,225,828	-	-	1,225,828
Total supporting services	4,467,818	5,496,561	9,964,379	-	-	9,964,379
Total expenses	7,953,378	8,739,068	16,692,446	-	-	16,692,446
Changes in net assets	(249,639)	2,547,933	2,298,294	474,498	-	2,772,792
Net assets at beginning of year	14,639,087	32,744,601	47,383,688	10,795,659	\$ 5,531,829	63,711,176
Net assets at end of year	\$ 14,389,448	\$ 35,292,534	\$ 49,681,982	\$ 11,270,157	\$ 5,531,829	\$ 66,483,968

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

Catholic Diocese of Wilmington, Inc.
Statement of Activities and Changes in Net Assets - Modified Cash Basis
For the Year Ended June 30, 1999

	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	Total
	General	Designated				
Revenues and other support:						
Assessments	\$ 2,668,324	-	\$ 2,668,324	-	-	\$ 2,668,324
Annual appeal	2,584,688	-	2,584,688	-	-	2,584,688
Pooled investment income	991,294	\$ 1,624,729	2,616,023	\$ 1,260,179	-	3,876,202
Other investment income – priests' health and welfare trusts	-	1,149,458	1,149,458	-	-	1,149,458
Collections	41,795	120,766	162,561	986,181	-	1,148,742
Contributions	332,125	445,127	777,252	205,299	\$ 3,061	985,612
CDF Grant	7,560	25,000	32,560	-	-	32,560
Priests' insurance premiums	-	959,717	959,717	-	-	959,717
Lay employee insurance premiums (see Note 4)	-	3,323,514	3,323,514	-	-	3,323,514
Other	106,793	164,129	270,922	21,340	-	292,262
Net assets released from restrictions	585,758	1,180,708	1,766,466	(1,766,466)	-	-
Total revenue and other support	7,318,337	8,993,148	16,311,485	706,533	3,061	17,021,079
Expenses:						
Program services:						
Catholic Charities	894,653	176,567	1,071,220	-	-	1,071,220
Catholic education	541,578	-	541,578	-	-	541,578
Communication	72,349	-	72,349	-	-	72,349
Distributions:						
Education Fund	-	745,463	745,463	-	-	745,463
Other funds	-	592,227	592,227	-	-	592,227
National collections	42,714	717,676	760,390	-	-	760,390
Other	1,108,482	-	1,108,482	-	-	1,108,482
Pastoral services	809,700	311,415	1,121,115	-	-	1,121,115
Total program services	3,469,476	2,543,348	6,012,824	-	-	6,012,824
Supporting services:						
Administration	2,085,792	531,939	2,617,731	-	-	2,617,731
Capital expenditures	82,616	-	82,616	-	-	82,616
Development	363,532	28,597	392,129	-	-	392,129
Finance	372,746	-	372,746	-	-	372,746
Priests' insurance expense	-	1,013,118	1,013,118	-	-	1,013,118
Lay employee insurance expense (see Note 4)	-	2,899,716	2,899,716	-	-	2,899,716
Lay employee benefits	1,219,498	-	1,219,498	-	-	1,219,498
Total supporting services	4,124,184	4,473,370	8,597,554	-	-	8,597,554
Total expenses	7,593,660	7,016,718	14,610,378	-	-	14,610,378
Changes in net assets	(275,323)	1,976,430	1,701,107	706,533	3,061	2,410,701
Net assets at beginning of year	14,914,410	30,768,171	45,682,581	10,089,126	5,528,768	61,300,475
Net assets at end of year	\$ 14,639,087	\$ 32,744,601	\$ 47,383,688	\$ 10,795,659	\$ 5,531,829	\$ 63,711,176

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

Catholic Diocese of Wilmington, Inc.
Statements of Cash Flows - Modified Cash Basis
For the Years Ended June 30, 2000 and 1999

	2000	1999
Cash flows from operating activities:		
Changes in net assets	\$2,772,792	\$2,410,701
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net forgiveness of notes receivable	653,120	-
Net appreciation on pooled investments	(5,051,747)	(2,580,744)
Net appreciation on other investments - priests' health and welfare trusts	(42,220)	(954,050)
Changes in assets and liabilities:		
Pledges receivable	8,777	412,293
Other assets	262,146	(502,657)
Assets held for affiliates	(7,199,335)	1,049,104
Accounts payable and accrued expenses	468,549	488,217
Assets due to affiliates	7,199,335	(1,049,104)
Loss on sale of real estate	-	18,184
Net cash used in operating activities	<u>(928,583)</u>	<u>(708,056)</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments for operations	2,373,435	4,030,100
Reinvestment of interest and dividends into pooled investments	(1,406,706)	(1,295,458)
Reinvestment of interest and dividends into other investments - priests' health and welfare trusts	(220,957)	(195,408)
Deposits into pooled investments	(3,361,221)	(4,323,017)
Amounts drawn from other investments for priests' pension payments	497,121	365,420
Amounts drawn from pooled investments for health insurance	2,834,435	2,137,485
Proceeds from sale of real estate	-	61,869
Issuance of notes receivable	(120,000)	-
Repayments of notes receivable	45,949	56,480
Net cash provided by investing activities	<u>642,056</u>	<u>837,471</u>
Net (decrease)/increase in cash	(286,527)	129,415
Cash and cash equivalents at beginning of year	<u>586,544</u>	<u>457,129</u>
Cash and cash equivalents at end of year	<u>\$ 300,017</u>	<u>\$ 586,544</u>

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

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

1. Summary of Significant Accounting Policies

Nature of Operations

Catholic Diocese of Wilmington, Inc. (the Diocese) is a not-for-profit corporation having as its objects and purposes the promotion of the teachings of Jesus Christ, as taught and set forth by the Roman Catholic Church throughout the Diocese in the State of Delaware and the nine (9) Counties of the State of Maryland's Eastern Shore and such territory over which the Diocese will have jurisdiction as delegated by proper authority of the Universal Roman Catholic Church. Approximately 35% and 30% of the revenue for the Diocese was generated through income on investments for the years ended June 30, 2000 and 1999, respectively.

Basis of Reporting

The Diocese reports using the modified cash basis of accounting, which differs from the accrual basis principally in not recognizing certain pledges and grants and in not establishing accruals for pension liabilities and priests' health and welfare trusts. The preparation of financial statements in conformity with these 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.

The accompanying financial statements reflect only the operation of the Diocese. Certain other operating entities have not been combined in the accompanying statements, the more significant of which are as follows:

- Affiliated Parishes and Schools
- Catholic Cemeteries, Inc.
- Catholic Charities, Inc.
- Catholic Diocese Foundation
- Catholic Ministry to the Elderly, Inc.
- Catholic Press of Wilmington, Inc.
- Catholic Youth Organization, Inc.
- Children's Home, Inc.
- Diocese of Wilmington Schools, Inc.
- Seton Villa, Inc.
- Siena Hall, Inc.

The Diocese acts as a fiduciary for these entities by investing funds in its pooled investment and cash management accounts on behalf of these entities.

Catholic Diocese of Wilmington, Inc.

Notes to Financial Statements

June 30, 2000 and 1999

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 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. Temporarily restricted net assets are primarily restricted for youth education and related activities, education of men for the priesthood, and the upkeep of specific facilities.
- **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.

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.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. The Diocese investments in cash and cash equivalents are interest bearing. At times these amounts may exceed federally insured limits.

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.

The Diocese manages an investment pool for its investments and those of its affiliated organizations. The investment pool 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.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

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.

Pledges Receivable

Except for pledges made to the Annual Catholic Appeal and grants made by the Catholic Diocese Foundation, Inc., which are accounted for on a cash basis, unconditional promises to give are reported at fair value as pledges receivable and contributions in the period the promise is received. All pledges are due in one to five years. The Diocese is not the recipient of any conditional pledges.

Real Estate and Equipment

Real estate consists of buildings and the related land. All real estate acquisitions are capitalized at cost, when purchased, or at fair value at date of gift, when donated. Equipment is expensed at the time of purchase.

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 Diocese has not adopted SFAS 93.

Assets Held for/Due to Affiliates

These assets are owned by the affiliated corporations and invested for the affiliates by the Diocese in the pooled investments.

2. Pooled Investments

The Diocese 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	\$ 2,396,718	\$ 1,691,336
Fixed income	17,471,878	14,700,454
Domestic equity	29,873,646	30,136,018
International equity	7,417,840	6,020,472
	<u>57,160,082</u>	<u>52,548,280</u>
Total pooled investments	<u>\$57,160,082</u>	<u>\$52,548,280</u>

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

The composition of other investments – priests' health and welfare trusts at June 30, 2000 and 1999 was as follows:

	2000	1999
Cash and cash equivalents	\$ (98,776)	\$ 5,541
Fixed income	2,524,549	2,568,039
Domestic equity	5,521,100	5,607,235
Total other investments	<u>\$7,946,873</u>	<u>\$8,180,815</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	\$1,406,706	\$1,295,458
Net appreciation	5,051,747	2,580,744
Pooled investment income	<u>\$6,458,453</u>	<u>\$3,876,202</u>

The pooled investment income was net of custodial and advisory fees in the amounts of \$377,536 and \$265,650 for the years ended June 30, 2000 and 1999, respectively.

Other investment income – priests' health and welfare trusts for the years ended June 30, 2000 and 1999 consisted of the following:

	2000	1999
Interest and dividends	\$220,957	\$ 195,408
Net appreciation	42,220	954,050
Other investment income	<u>\$263,177</u>	<u>\$1,149,458</u>

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

3. Notes Receivable

Notes receivable at June 30, 2000 and 1999 were as follows:

	2000	1999
Korean Catholic Community - interest payable at 2.8% in monthly installments of \$948.95 over 15 years, starting June 2000	\$ 119,051	-
St. Mark's High School (roof repairs) - payable in annual installments of \$40,000 the first year and \$45,000 the next eight years beginning December 30, 1997, non-interest bearing	270,000	\$ 315,000
St. Anthony of Padua (construct Padua Academy) - payable in annual installments of \$25,000 due June 30, non-interest bearing	-	1,636,000
Diocesan guaranteed bank loan to a seminarian	-	26,020
Total notes receivable	<u>389,051</u>	<u>1,977,020</u>
Allowance for uncollectible receivables	-	(1,008,900)
Total notes receivable, net	<u>\$ 389,051</u>	<u>\$ 968,120</u>

During the year ended June 30, 2000, \$1,662,020 of notes receivable were forgiven. Of this balance, \$1,008,900 had been reserved.

4. Related Party Transactions

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

The Diocese includes on its balance sheet assets held for/due to affiliated corporations which are reported as restricted net assets. These assets are owned by the affiliated corporations and are included in the financial statements of the Diocese to portray the fiduciary relationship on these assets.

The Diocese received assessments from its parishes in the amount of \$2,833,819 and \$2,668,324 for the years ended June 30, 2000 and 1999, respectively, and from Catholic Cemeteries in the amount of \$103,617 and \$71,250, respectively.

During 2000 and 1999, the Catholic Diocese Foundation awarded the Diocese \$218,365 and \$319,476, respectively. Because the Diocese reports on a modified cash basis, only the cash amounts received of \$64,841 and \$32,560, respectively, from the Catholic Diocese Foundation were included on the statements of activities of the Diocese.

During 2000 and 1999, St. Mark's contributed \$205,854 and \$229,100, respectively, to funds held and administered by the Diocese and Diocese of Wilmington Schools, Inc.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

The Diocese disburses funds on behalf of Catholic Youth Organization, Inc. (CYO) for wages, payroll taxes and health benefits. During the years ended June 30, 2000 and 1999, the Diocese disbursed a total of \$132,889 and \$132,521, respectively, on behalf of CYO. Of these balances, amounts still due to the Diocese of approximately \$6,700 and \$8,000, respectively, are included in other assets for the years ended June 30, 2000 and 1999.

The Diocese disburses funds on behalf of the Catholic Press of Wilmington, Inc. (Press) for wages, payroll taxes, health benefits and other miscellaneous expenses. During the years ended June 30, 2000 and 1999, the Diocese disbursed a total of \$297,630 and \$241,253, respectively, on behalf of Press. Of these balances, amounts still due to the Diocese of approximately \$47,000 and \$49,000, respectively, are included in other assets for the years ended June 30, 2000 and 1999.

The Diocese disburses funds on behalf of St. Thomas More Academy (St. Thomas) for wages, payroll taxes and health benefits. During the years ended June 30, 2000 and 1999, the Diocese disbursed a total of \$571,881 and \$370,335, respectively, on behalf of St. Thomas. Of these balances, amounts still due to the Diocese of approximately \$59,000 and \$39,000, respectively, are included in other assets for the years ended June 30, 2000 and 1999.

The Diocese provided funding to related organizations. The more significant funding provided was as follows:

	2000	1999
Press	\$ 420,617	\$ 390,276
Catholic Charities, Inc.	998,900	940,000
St. Mark's High School	726,440	785,263
CYO	60,000	28,941
St. Thomas	693,500	797,482

The Diocese provides administrative services for the Catholic Diocese Foundation, CYO, the Press, and St. Thomas. The Catholic Diocese Foundation was invoiced \$9,671 and \$11,776 for these services for the years ended June 30, 2000 and 1999, respectively. The Diocese absorbed the cost of the services to CYO, the Press, and St. Thomas since the amounts are not significant.

The Diocese pays all claims and other expenses related to their self-insurance plan, which commenced on July 1, 1998. The self-insurance plan covers health insurance, workers' compensation and automobile insurance, and property and liability insurance. Each affiliated corporation pays the Diocese a premium for their portion of the plan claims and expenses. In 2000 and 1999, the Diocese received approximately \$3,600,000 and \$3,300,000, respectively, in premium revenue from affiliated corporations. These premiums are invested in an insurance reserve fund, and the Diocese pays all claims out of this fund. In 2000 and 1999, the Diocese paid approximately \$3,400,000 and \$2,900,000, respectively, in actual claims. Included in accounts payable and accrued expenses is an amount for estimated incurred but not reported claims.

The Diocese also sponsors a health and welfare trust for priests, which became self-insured effective January 1, 2000. Each affiliated corporation pays the Diocese a premium for their portion of the plan's claims and expenses. In 2000 and 1999, the Diocese received approximately \$1,100,000 and \$1,000,000, respectively, in premium revenues from affiliated corporations.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

The Diocese provides life insurance and long-term disability for all full-time employees of the Diocese, parishes, and certain affiliated corporations, at no cost to those entities since these amounts were not significant. The Diocese also provides pension for all full-time employees of the Diocese, parishes and certain affiliated corporations. Approximately \$49,700 and \$44,300 of pension costs were charged to other entities for the years ended June 30, 2000 and 1999, respectively.

The Diocese charged rental fees of \$1,956 and \$1,872 for the years ended June 30, 2000 and 1999, respectively, to the Catholic Diocese Foundation and rental fees of \$20,988 and \$21,866 for the years ended June 30, 2000 and 1999, respectively, to the Press. A diocesan-owned building was used by CYO, without charge, since the value was not significant.

5. Pension Plans

The Diocese sponsors a noncontributory defined benefit pension plan (the Plan) covering all full-time lay employees of the Diocese, parishes, and affiliated corporations, except Catholic Charities, which has a separate plan. The Plan benefits are based on a monthly pension equal to 1% of the high five year average compensation for each year of service. The following table sets forth the Plan's status determined using the measurement dates of January 1, 2000 and 1999:

	2000	1999
Accumulated benefit obligation, including vested benefits of \$11,963,304 and \$10,468,979	\$12,377,850	\$10,802,635
Plan assets at fair value	10,014,280	8,493,857

The more significant actuarial assumptions utilized as of each valuation date are as follows:

Cost method	Aggregate
Interest rate	7.5% per annum
Mortality	1984 Uniform Premium Table
Salary progression	4.0% per annum

For the years ended June 30, 2000 and 1999, \$1,075,000 and \$1,000,000, respectively, was funded into the Plan and included in the statement of activities.

The fair value of Plan assets as of June 30, 2000 and 1999 was \$10,036,794 and \$9,841,945, respectively.

The Diocese has also established a Revocable Priests Retirement and Welfare Trust to cover the health and retirement cost of the clergy of the Diocese. As of June 30, 2000 and 1999 the fund assets totaled \$7,946,873 and \$8,180,815, respectively. This balance is included within other investments on the balance sheet.

Catholic Diocese of Wilmington, Inc.
Notes to Financial Statements
June 30, 2000 and 1999

6. Income Taxes

The Diocese 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. Commitments and Contingencies

The Diocese guaranteed a loan of St. Thomas, which had an outstanding balance of \$263,500 at June 30, 1999. This loan was paid in full in prior to June 30, 2000.

In addition, the Diocese will support the operations of St. Thomas during the first several school years of operation when enrollment levels and corresponding tuition is not expected to cover operating expenses and planned capital expenditures. It is estimated that approximately \$3.5 to \$4.5 million of Diocesan support will be required for St. Thomas for the years 2000 through 2004. During 2000 and 1999, approximately \$694,000 and \$797,000, respectively, was provided to St. Thomas by the Diocese in the form of contributions. It is expected that further support will be provided by loans or additional contributions from the Diocese.

CATHOLIC DIOCESE OF WILMINGTON, INC.

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

**CATHOLIC DIOCESE
OF WILMINGTON, INC.**

TABLE OF CONTENTS

	<u>Pages</u>
Report of Independent Accountants	1
Financial Statements:	
Balance Sheets - Modified Cash Basis as of June 30, 1998 and 1997	2
Statement of Activities - Modified Cash Basis for the year ended June 30, 1998	3
Statement of Activities - Modified Cash Basis for the year ended June 30, 1997	4
Statements of Cash Flows - Modified Cash Basis for the years ended June 30, 1998 and 1997	5
Notes to Financial Statements	6-13

Report of Independent Accountants

To the Audit Committee
Catholic Diocese of Wilmington, Inc.
Wilmington, Delaware

We have audited the accompanying balance sheets - modified cash basis of the Catholic Diocese of Wilmington, Inc. (the Diocese) as of June 30, 1998 and 1997 and the related statements of activities and cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of the Diocese'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, which 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.

As described in Note 1, these financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Diocese 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. 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 Diocese as of June 30, 1998 and 1997 and the changes in its net assets and its cash flows for the years then ended, on the basis of reporting described in Note 1.



September 21, 1998

CATHOLIC DIOCESE OF WILMINGTON, INC.

**Balance Sheets - Modified Cash Basis
June 30, 1998 and 1997**

ASSETS	1998			1997		
	Unrestricted Board		Total	Restricted	Total	Total
	General	Designated				
Cash	\$ 391,568	\$ 19,086	\$ 410,654	\$ 46,475	\$ 457,129	\$ 574,735
Pooled investments	12,823,580	22,700,208	35,523,788	14,992,859	50,516,647	44,831,270
Other investments		7,396,777	7,396,777	-	7,396,777	6,634,226
Other assets	212,327		212,327	49,645	261,972	661,994
Pledges receivable				528,915	528,915	340,514
Notes receivable, net of allowance	372,500	652,100	1,024,600		1,024,600	706,600
Real estate	1,244,732		1,244,732		1,244,732	1,242,732
Assets held for affiliates				80,754,251	80,754,251	66,943,385
Total assets	\$ 15,044,707	\$ 30,768,171	\$ 45,812,878	\$ 96,372,145	\$ 142,185,023	\$ 121,935,456
LIABILITIES AND NET ASSETS						
Accounts payable and accrued expenses	130,297		130,297		130,297	217,788
Assets due to affiliates				80,754,251	80,754,251	66,943,385
Total liabilities	130,297	-	130,297	80,754,251	80,884,548	67,161,173
Net assets:						
Unrestricted - general	14,914,410		14,914,410		14,914,410	14,697,035
Unrestricted - designated		30,768,171	30,768,171		30,768,171	26,709,423
Temporarily restricted				10,089,126	10,089,126	7,840,866
Permanently restricted				5,528,768	5,528,768	5,526,959
Total net assets	14,914,410	30,768,171	45,682,581	15,617,894	61,300,475	54,774,283
Total liabilities and net assets	\$ 15,044,707	\$ 30,768,171	\$ 45,812,878	\$ 96,372,145	\$ 142,185,023	\$ 121,935,456

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

CATHOLIC DIOCESE OF WILMINGTON, INC.

Statement of Activities - Modified Cash Basis
for the year ended June 30, 1998

	Unrestricted				Restricted			Total
	General	Board Designated	Donor Related	Total	Temporarily Restricted	Permanently Restricted	Total	
Revenues and other support:								
Assessments	\$ 2,536,150			\$ 2,536,150				\$ 2,536,150
Annual appeal	2,164,298			2,164,298				2,164,298
Pooled investment income	2,082,075	\$ 3,525,938		5,608,013	\$ 2,388,453		\$ 2,388,453	7,996,466
Other investment income	-	1,107,030		1,107,030	-			1,107,030
Collections	38,860	62,759		101,619	897,508		897,508	999,127
Contributions	73,989	413,359		487,348	1,581,089	\$ 1,809	1,582,898	2,070,248
CDF Grant	153,225	25,000		178,225	400,000		400,000	578,225
Other	167,772	868,185		1,035,957	7,898		7,898	1,043,855
Total revenue	7,216,369	6,002,211	-	13,218,640	5,274,948	1,809	5,276,757	18,495,397
Expenses:								
Program services:								
Catholic Charities	760,474	-	\$ 168,354	928,828	-		-	928,828
Christian Formation	657,582	-		657,582	-		-	657,582
Communication	447,747	-		447,747	-		-	447,747
Distributions:								
Education Fund	-	-	773,578	773,578	-		-	773,578
Other funds	-	126,361	920,029	1,046,390	-		-	1,046,390
National collections	39,345	-	1,034,293	1,073,638	-		-	1,073,638
Other	1,235,065	-		1,235,065	-		-	1,235,065
Pastoral Concerns	645,243	323,401		968,644	-		-	968,644
Total program services	3,785,456	449,762	2,896,254	7,131,472	-	-	-	7,131,472
Supporting services:								
Administration	1,413,028	1,472,817		2,885,845	-		-	2,885,845
Capital expenditures	416,615	-		416,615	-		-	416,615
Development	346,878	-		346,878	-		-	346,878
Finance	466,274	-		466,274	-		-	466,274
Lay employee benefits	722,121	-		722,121	-		-	722,121
Total supporting services	3,364,916	1,472,817	-	4,837,733	-	-	-	4,837,733
Total expenses	7,150,372	1,922,579	2,896,254	11,969,205	-	-	-	11,969,205
Excess/(deficiency) of revenue over expenses	65,997	4,079,692	(2,896,254)	1,249,435	5,274,948	1,809	5,276,757	6,526,192
Net assets released from restrictions	151,378	(20,944)	2,896,254	3,026,688	(3,026,688)	-	(3,026,688)	-
Changes in net assets	217,375	4,058,748	-	4,276,123	2,248,260	1,809	2,250,069	6,526,192
Net assets at beginning of year	14,697,035	26,709,423	-	41,406,458	7,840,866	5,528,959	13,367,825	54,774,283
Net assets at end of year	\$ 14,914,410	\$ 30,768,171	-	\$ 45,682,581	\$ 10,089,126	\$ 5,528,768	\$ 15,617,894	\$ 61,300,475

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

CATHOLIC DIOCESE OF WILMINGTON, INC.

Statement of Activities - Modified Cash Basis
for the year ended June 30, 1997

	Unrestricted			Restricted			Total
	General	Board Designated	Donor Related	Temporarily Restricted	Permanently Restricted	Total	
Revenues and other support:							
Assessments	\$ 2,380,600			\$ 2,380,600		-	\$ 2,380,600
Annual appeal	2,420,868			2,420,868		-	2,420,868
Pooled investment income	2,205,524	\$ 3,463,711		5,669,235	\$ 1,832,561	\$ 1,832,561	7,501,796
Other investment income	-	1,238,328		1,238,328		-	1,238,328
Collections	39,163	91,055		130,218	662,808	862,808	993,026
Contributions	25,684	311,240		336,924	2,040,740	\$ 13,334	2,390,998
CDF Grant	33,750	25,000		58,750	350,000		408,750
Other	215,220	102,155		317,375	20,718	20,718	338,093
Total revenue	7,320,809	5,231,489		12,552,298	5,106,827	13,334	17,672,459
Expenses:							
Program services:							
Catholic Charities	752,546		\$ 162,844	915,390		-	915,390
Christian Formation	518,957			518,957		-	518,957
Communication	471,088			471,088		-	471,088
Distributions:							
Education Fund			624,254	624,254		-	624,254
Other funds		269,229	112,152	381,381		-	381,381
National collections	43,824		823,537	867,361		-	867,361
Other	325,800			325,800		-	325,800
Pastoral Concerns	655,984	253,685		909,669		-	909,669
Total program services	2,768,199	522,914	1,722,787	5,013,900		-	5,013,900
Supporting services:							
Administration	972,073	524,815		1,496,888		-	1,496,888
Capital expenditures	546,919			546,919		-	546,919
Development	337,323			337,323		-	337,323
Finance	474,869			474,869		-	474,869
Lay employee benefits	174,192			174,192		-	174,192
Total supporting services	2,505,376	524,815		3,030,191		-	3,030,191
Total expenses	5,273,575	1,047,729	1,722,787	8,044,091		-	8,044,091
Excess/(deficiency) of revenue over expenses	2,047,234	4,183,760	(1,722,787)	4,508,207	5,106,827	13,334	9,628,368
Net assets released from restrictions	588,031	(92,250)	1,722,787	2,218,568	(2,025,983)	(192,585)	(2,210,568)
Changes in net assets	2,635,265	4,091,510	-	6,726,775	3,080,844	(179,251)	2,901,593
Net assets at beginning of year	12,061,770	22,617,913		34,679,683	4,760,022	5,706,210	45,145,915
Net assets at end of year	\$ 14,697,035	\$ 26,709,423		\$ 41,406,458	\$ 7,840,866	\$ 5,526,959	\$ 54,774,283

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

CATHOLIC DIOCESE OF WILMINGTON, 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	\$ 6,526,192	\$ 9,628,368
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Net appreciation on pooled investments	(6,657,806)	(6,246,578)
Other investment income	(1,107,030)	(1,238,328)
(Increase)/decrease in pledges receivable	(188,401)	3,134,038
(Increase)/decrease in other assets	400,022	(513,909)
Increase in assets held for affiliates	(13,810,866)	(11,320,160)
Increase/(decrease) in accounts payable and accrued expenses	(87,491)	163,531
Increase in assets owed to affiliates	<u>13,810,866</u>	<u>11,320,160</u>
Net cash (used in)/provided by operating activities	<u>(1,114,514)</u>	<u>4,927,122</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments for operations	3,947,000	2,794,006
Reinvestment of interest and dividends into pooled investments	(1,338,660)	(1,255,218)
Deposits into pooled investments	(1,635,912)	(6,515,313)
Amounts drawn from other investments for priests' pension payments	344,480	321,788
Purchase of building or improvements	(2,000)	(138,804)
Issuance of notes receivable	(400,000)	-
Repayments of notes receivable	<u>82,000</u>	<u>50,985</u>
Net cash provided by/(used in) investing activities	<u>996,908</u>	<u>(4,742,556)</u>
Net (decrease)/increase in cash	(117,606)	184,566
Cash at beginning of year	<u>574,735</u>	<u>390,169</u>
Cash at end of year	<u>\$ 457,129</u>	<u>\$ 574,735</u>
Non-cash activities:		
Forgiveness of note receivable	<u>-</u>	<u>\$ 491,100</u>

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

CATHOLIC DIOCESE OF WILMINGTON, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Operations:

Catholic Diocese of Wilmington, Inc. (the Diocese) is a not-for-profit corporation having as its objects and purposes the promotion of the teachings of Jesus Christ, as taught and set forth by the Roman Catholic Church throughout the Catholic Diocese of Wilmington in the State of Delaware and the nine (9) Counties of the State of Maryland's Eastern Shore and such territory over which the Catholic Diocese of Wilmington will have jurisdiction as delegated by proper authority of the Universal Roman Catholic Church. Approximately 50% of the revenue for the Diocese is generated through income on investments.

Basis of Reporting:

The Diocese reports using the modified cash basis of accounting, which differs from the accrual basis principally in not recognizing certain pledges and grants and in not establishing liabilities for pension liabilities. The preparation of financial statements in conformity with these 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.

The accompanying financial statements reflect only the operation of the Diocese. Certain other operating entities have not been combined in the accompanying statements, the more significant of which are as follows:

- Affiliated Parishes
- Catholic Cemeteries, Inc.
- Catholic Charities, Inc.
- Catholic Diocese Foundation
- Catholic Ministry to the Elderly, Inc.
- Catholic Press of Wilmington, Inc.
- Catholic Youth Organization, Inc.
- Children's Home, Inc.
- Diocese of Wilmington Schools, Inc.
- Seton Villa, Inc.
- Siena Hall, Inc.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Basis of Reporting, continued:

The Diocese acts as a fiduciary for the above entities by investing funds in its pooled investment and cash management accounts on behalf of the above entities.

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.

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.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Cash:

At times the Diocese maintains cash balances that may exceed federally insured limits.

Pooled Investments:

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

The Diocese manages an investment pool for its investments and those of its affiliated organization. The investment pool 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 Diocese 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.

Pledges Receivable:

Except for pledges made to the Annual Catholic Appeal and grants made by the Catholic Diocese Foundation, Inc., which are accounted for on a cash basis, unconditional promises to give are reported at fair value as pledges receivable and contributions in the period the promise is received. The Diocese is not the recipient of any conditional pledges.

Real Estate:

Real estate consists of buildings and the related land. All acquisitions are capitalized at cost, when purchased, or at fair value at date of gift, when donated.

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 Diocese has not adopted SFAS 93. The effect of not complying with SFAS 93 is not reasonably determinable.

Notes to Financial Statements, Continued.

1. Summary of Significant Accounting Policies, continued:

Assets Held for/Due to Affiliates:

These assets are owned by the affiliated corporations and invested for the affiliates by the Diocese in the pooled investments.

Reclassifications:

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

2. Pooled Investments:

The Diocese 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	\$ 880,223	\$ 640,976
Fixed income	13,962,359	13,333,273
Domestic equity	32,681,579	28,184,969
International equity	<u>2,992,486</u>	<u>2,672,052</u>
Total pooled investments	<u>\$ 50,516,647</u>	<u>\$ 44,831,270</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	\$ 1,338,660	\$ 1,255,218
Net appreciation	<u>6,657,806</u>	<u>6,246,578</u>
Pooled investment income	<u>\$ 7,996,466</u>	<u>\$ 7,501,796</u>

The pooled investment income was net of custodial and advisory fees in the amounts of \$310,920 and \$274,409 for the years ended June 30, 1998 and 1997, respectively.

Notes to Financial Statements, Continued

3. Pledges Receivable:

Pledges receivable as of June 30, 1998 are due as follows:

Amounts due within one year	\$ 454,746
Amounts due in one to five years	<u>74,169</u>
	<u>\$ 528,915</u>

4. Notes Receivable:

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

	<u>1998</u>	<u>1997</u>
St. Mark's High School (roof repairs) - payable in annual installments of \$40,000 the first year and \$45,000 the next eight years beginning December 30, 1997, non-interest bearing	\$ 360,000	-
St. Anthony of Padua (construct Padua Academy) - payable in annual installments of \$200,000 due June 30, non-interest bearing	1,661,000	\$ 1,686,000
St. Helena (past due assessment) - payable in ten semi-annual installments of \$4,500 plus interest at 3%, beginning June 30, 1993	-	4,500
Holy Family (refinance) - payable in two installments of \$12,500 due June 1, 1998 and January 1, 1999, non-interest bearing	<u>12,500</u>	<u>25,000</u>
Total notes receivable	2,033,500	1,715,500
Allowance for uncollectible receivables	<u>(1,008,900)</u>	<u>(1,008,900)</u>
Total notes receivable, net	<u>\$ 1,024,600</u>	<u>\$ 706,600</u>

5. Related Party Transactions:

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

The Diocese includes on its balance sheet assets owned by affiliated corporations which are reported as restricted net assets. These assets are owned by the affiliated corporations and are included in the financial statements of the Diocese to portray the fiduciary relationship on these assets.

Notes to Financial Statements, Continued

5. Related Party Transactions, continued:

The Diocese received assessments from its parishes in the amount of \$2,536,150 and \$2,380,600 for the years ended June 30, 1998 and 1997, respectively, and from Catholic Cemeteries in the amount of \$57,000 and \$55,000, respectively.

During 1998 and 1997, the Catholic Diocese Foundation awarded the Diocese \$467,100 and \$1,987,470, respectively. Because the Diocese reports on a modified cash basis, only the cash amounts received from the Catholic Diocese Foundation were included on the statements of activity of the Diocese.

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

The Diocese disburses funds on behalf of Catholic Press of Wilmington, Inc. for wages, payroll taxes, health benefits, and other expenses. During the years ended June 30, 1998 and 1997, Press reimbursed the Diocese a total of \$215,621 and \$213,810, respectively.

The Diocese provided funding to related organizations. The more significant funding was provided as follows:

	<u>1998</u>	<u>1997</u>
Catholic Press of Wilmington, Inc.	\$ 375,692	\$ 400,000
Catholic Charities, Inc.	891,250	1,014,390
St. Mark's High School	252,716	276,036
Catholic Youth Organization	37,399	18,280
St. Thomas More Academy	965,575	-

In addition, the Diocese advanced \$400,000 to St. Mark's High School for a roof repair project during 1997. This advance was converted to a note receivable during 1998. The Diocese forgave a \$491,000 note receivable from St. Mark's High School in 1997.

The Diocese provides administrative services for the Catholic Diocese Foundation, the Catholic Press of Wilmington, Inc., and St. Thomas More Academy, Inc. The Catholic Diocese Foundation was invoiced \$12,926 and \$23,142 for these services for the years ended June 30, 1998 and 1997, respectively. The Diocese absorbed the cost of the services to the Catholic Press of Wilmington, Inc. and St. Thomas More Academy, Inc. since the amounts are not significant.

The Diocese provides life insurance and long-term disability for all full-time employees of the Diocese, parishes, and certain affiliated corporations, at no cost to those entities. These amounts were not significant. The Diocese also provides pension for all full-time employees of the Diocese, parishes and certain affiliated corporations. Pension costs amounted to \$1,580,000 and \$1,000,000 for the years ended June 30, 1998 and 1997, respectively. Of these amounts, approximately \$43,600 and \$38,600 were charged to other entities for the years ended June 30, 1998 and 1997, respectively.

Notes to Financial Statements, Continued

5. Related Party Transactions, continued:

The Diocese charged rental fees of \$1,788 and \$1,716 for the years ended June 30, 1998 and 1997, respectively, to the Catholic Diocese Foundation and rental fees of \$19,244 and \$18,480 for the years ended June 30, 1998 and 1997, respectively, to the Catholic Press of Wilmington. A diocesan-owned building was used by Catholic Youth Organization, without charge, since the value was not significant.

6. Pension Plans:

The Diocese sponsors a noncontributory defined benefit pension plan (the Plan) covering all full-time lay employees of the Diocese, parishes, and affiliated corporations, except Catholic Charities, which has a separate plan. The Plan benefits are based on a monthly pension equal to 1% of the high five year average compensation for each year of service. The following table sets forth the Plan's status determined using the measurement dates of January 1, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Accumulated benefit obligation, including vested benefits of \$9,212,500 and \$8,238,350	\$ 9,542,861	\$ 8,602,100
Plan assets at fair value	7,826,738	6,872,009

The more significant actuarial assumptions utilized as of each valuation date are as follows:

Cost method	Aggregate
Interest rate	7.5% per annum
Mortality	1984 uniform premium table
Salary progression	4.0% per annum

For the years ended June 30, 1998 and 1997, \$500,000 and \$0, respectively, have been funded into the Plan.

The fair value of Plan assets as of June 30, 1998 and 1997 was \$8,028,532 and \$7,244,549, respectively.

The Diocese has also established a Revocable Priests Retirement and Welfare Trust to cover the health and retirement cost of the clergy of the Diocese. As of June 30, 1998 and 1997 the fund assets totaled \$7,396,777 and \$6,634,226, respectively. This balance is included within other investments on the balance sheet.

7. Income Taxes:

The Diocese 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.

Notes to Financial Statements, Continued

8. Subsequent Event:

The Diocese has renegotiated its policies for property, liability, employee fidelity, and errors and omissions insurance coverage. In that connection, an aggregate deductible in the amount of \$200,000 is effective July 1, 1998 for claims made for these types of coverages.

9. Commitments and Contingencies:

The Diocese guaranteed a loan of St. Thomas More Academy, Inc. (St. Thomas), which had an outstanding balance of \$527,000 at June 30, 1998.

In addition, the Diocese will support the operations of St. Thomas during the first several school years of operation when enrollment levels and corresponding tuition is not expected to cover operating expenses and planned capital expenditures. It is estimated that approximately \$3.5 to \$4.5 million of Diocesan support will be required for St. Thomas for the years 1998 through 2004. During 1998, approximately \$965,000 was provided to St. Thomas by the Diocese in the form of contributions. It is expected that further support will be provided by loans or additional contributions from the Diocese.

Catholic Diocese of Wilmington, Inc.
Financial Trends

	FY 03 Budget			FY 02 Estimate			FY 02 Budget		
General Revenues									
Parish Assessment	\$	3,283,844	47.7%	\$	3,125,875	46.8%	\$	3,124,200	50.9%
Appeal		2,086,701	30.3%		2,038,239	30.5%		1,452,602	23.7%
Parish Over Goal Appeal Rebates		(41,700)			(154,157)			(91,600)	
Collections:									
Communications		25,000			24,941			25,000	
Human Development		3,000			3,000			3,000	
Aids		<u>0</u>	28,000 0.4%		<u>0</u>	27,941 0.4%		<u>0</u>	28,000 0.5%
Cemetery Assessment		125,000	1.8%		120,000	1.8%		120,000	2.0%
Gifts and Contributions and Other		57,500	0.8%		57,659	0.9%		50,000	0.8%
CDF Grants		0	0.0%		0	0.0%		0	0.0%
Subsidiary Corporation Pension Contribution		<u>50,000</u>	<u>0.7%</u>		<u>45,000</u>	<u>0.7%</u>		<u>45,000</u>	<u>0.7%</u>
Subtotal General Revenues		5,589,345	81.2%		5,260,557	78.8%		4,728,202	77.0%
Investment Income									
General Fund		729,025	10.6%		764,038	11.4%		764,038	12.4%
Security Fund		359,920	5.2%		416,354	6.2%		416,354	6.8%
Charity Fund		<u>206,580</u>	<u>3.0%</u>		<u>232,971</u>	<u>3.5%</u>		<u>232,971</u>	<u>3.8%</u>
Subtotal Investment Income		<u>1,295,525</u>	<u>18.8%</u>		<u>1,413,363</u>	<u>21.2%</u>		<u>1,413,363</u>	<u>23.0%</u>
Total Genl Rev & Inv Inc	\$	<u>6,884,870</u>	100.0%	\$	<u>6,673,920</u>	100%	\$	<u>6,141,565</u>	100%
NET BUDGET EXPENSES:									
Administration	\$	4,189,306	53.7%	\$	3,756,265	52.8%	\$	4,045,685	54.8%
Catholic Charities		990,756	12.7%		960,766	13.5%		963,416	13.0%
Catholic Education		850,282	10.9%		811,119	11.4%		726,405	9.8%
Communications		95,804	1.2%		90,003	1.3%		98,341	1.3%
Development		307,486	3.9%		273,410	3.8%		256,006	3.5%
Finance		422,541	5.4%		381,420	5.4%		391,848	5.3%
Pastoral Services		<u>938,915</u>	<u>12.0%</u>		<u>839,405</u>	<u>11.8%</u>		<u>903,686</u>	<u>12.2%</u>
Net Budget Expenses		<u>7,795,090</u>	100.0%		<u>7,112,388</u>	100.0%		<u>7,385,387</u>	100.0%
SURPLUS (DEFICIT)	\$	<u>(910,220)</u>		\$	<u>(438,468)</u>		\$	<u>(1,243,822)</u>	

8/25/2003

NET BUDGETS FUNDED BY THE DIOCESE

	FY 00 ACTUAL NET EXPENSE	FY 01 ACTUAL NET EXPENSE	FY 02 BUDGETED NET EXPENSE	FY 02 ESTIMATED NET EXPENSE	FY 03 BUDGETED NET EXPENSE	DIFFERENCE FY 03 LESS FY 02 BUDGET	%
ADMINISTRATION							
Bishop's Office	105,618	110,275	114,643	114,500	122,657	8,014	7.0%
Bishop's Residence	40,761	43,071	44,108	42,147	45,266	1,158	2.6%
Building Committee	1,086	2,000	2,000	2,000	1,810	(190)	(9.5%)
Charity Fund (misc)	0	40,000	32,833	32,833	32,833	0	0.0%
Clergy in Prof Studies*	42,218	0	0	0	0	0	#DIV/0!
Council for Religious	454	2,500	0	0	0	0	#DIV/0!
VG Administration	89,828	93,607	97,632	98,359	109,539	11,907	12.2%
Lobbyist	37,408	33,225	31,471	29,745	32,415	944	3.0%
Capital Equipment (GF)	51,196	75,000	75,000	75,000	100,000	25,000	33.3%
Capital Improvements (GF)	13,062	82,000	82,000	70,955	115,000	33,000	40.2%
Other General Fund Exp (GF)	689,673	450,892	585,168	380,376	533,838	(51,330)	(8.8%)
Lay Pension Contribution (GF)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	0	0.0%
Lay Group Term Life Insur (GF)	116,443	124,000	126,000	149,009	154,176	28,176	22.4%
Lay Long Term Disability (GF)	108,297	114,000	116,500	94,780	98,568	(17,932)	(15.4%)
Lay Blood Bank (GF)	1,088	1,054	1,100	1,135	1,100	0	0.0%
Natl/Regional Assessments (GF)	107,215	110,200	115,500	115,950	126,450	10,950	9.5%
Christmas Bonus (GF)	52,708	53,000	52,000	53,946	54,000	2,000	3.8%
High School Appeal Allocations (GF)	327,800	327,800	339,273	344,940	344,940	5,667	1.7%
Pastoral Council	84	185	150	155	200	50	33.3%
Pastoral Planning	553	50,000	30,000	11,250	30,000	0	0.0%
Pastoral Plan - Sr. Suzanne	5,166	0	0	0	0	0	#DIV/0!
Council of Priests	7,561	9,327	8,642	8,358	8,910	268	3.1%
Vicar for Priests	14,421	13,245	12,564	11,205	12,865	301	2.4%
Law Department	115,037	158,259	143,238	140,370	202,862	59,624	41.6%
MIS	157,146	250,528	171,385	140,476	169,577	(1,808)	(1.1%)
Tribunal	198,915	226,622	218,102	195,727	240,289	22,187	10.2%
Women's Commission	5,616	7,294	2,193	5,070	2,193	0	0.0%
Human Resources	162,563	144,739	169,412	164,660	164,418	(4,994)	(2.9%)
The Dialog	420,617	425,183	467,701	467,701	478,730	11,029	2.4%
Vianney House*	75,018	0	0	0	0	0	#DIV/0!
Admin Spec Assistant	6,616	6,550	7,070	5,618	6,670	(400)	(5.7%)
	3,954,168	3,954,556	4,045,685	3,756,265	4,189,306	143,621	3.5%
Less: Restricted Funds *	(117,236)	0	0	0	0	0	#DIV/0!
Total Administration	3,836,932	3,954,556	4,045,685	3,756,265	4,189,306	143,621	3.5%
CATHOLIC CHARITIES							
	998,900	974,385	963,416	960,766	990,756	27,340	2.8%
CATHOLIC EDUCATION							
Boy Scouts	1,839	2,100	3,850	2,000	4,050	200	5.2%
Campus Ministry	90,082	103,515	87,822	86,652	88,347	525	0.6%
Catholic Schools	221,067	220,953	248,452	348,269	373,122	124,670	50.2%
CYO/Youth Ministry	107,427	123,501	128,600	128,600	133,700	5,100	4.0%
Deaf Ministry	7,773	10,725	10,725	8,775	10,625	(100)	(.9%)
Dir Religious Education	191,877	218,585	206,664	204,653	223,628	16,964	8.2%
Girl Scouts	1,220	1,200	1,200	1,200	1,200	0	0.0%
Resource Center	26,453	32,124	34,222	26,225	10,485	(23,737)	#REF!
Special Ministry	4,266	5,000	4,870	4,745	5,125	255	0.7%
Total Catholic Education	652,004	717,703	726,405	811,119	850,282	123,877	17.1%
COMMUNICATION							
Communications	82,131	84,316	98,341	90,003	95,804	(2,537)	(2.6%)
News Radio	0	0	0	0	0	0	
Total Communications	82,131	84,316	98,341	90,003	95,804	(2,537)	(2.6%)

NET BUDGETS FUNDED BY THE DIOCESE

	FY 00 ACTUAL NET EXPENSE	FY 01 ACTUAL NET EXPENSE	FY 02 BUDGETED NET EXPENSE	FY 02 ESTIMATED NET EXPENSE	FY 03 BUDGETED NET EXPENSE	DIFFERENCE FY 03 LESS FY 02 BUDGET	%
<u>DEVELOPMENT</u>							
Development	0	0	256,006	273,410	307,486	51,480	20.1%
Capital Campaign	0	0	185,118	149,641	162,237	(22,881)	(12.4%)
	0	0	0	0	0		#DIV/0!
	0	0	0	0	0		#DIV/0!
Less:Restricted funds*	0	0	441,124	423,051	469,723	28,599	6.5%
	0	0	185,118	149,641	162,237	(22,881)	(12.4%)
Total Development	347,445	329,582	256,006	273,410	307,486	51,480	20.1%
<u>FINANCE</u>							
Finance	369,529	387,314	408,299	409,812	430,588	22,289	5.5%
Service-Maint/Delivery	(11,425)	(25,339)	(16,451)	(28,392)	(8,047)	8,404	(51.1%)
Print Shop	0	0	0	0	0	0	
Total Finance	358,104	361,975	391,848	381,420	422,541	30,693	7.8%
<u>PASTORAL SERVICES</u>							
Archives	13,229	13,285	20,225	2,076	13,850	(6,375)	(31.5%)
Chancery	118,764	128,416	132,756	125,654	143,872	11,116	8.4%
Chaplains/Institutions	272,175	291,482	301,511	289,801	303,064	1,553	0.5%
Clergy Cont Education*	51,912	37,228	37,228	37,228	37,228	0	0.0%
Hispanic Ministry - Seaford	60,162	0	0	0	0	0	#DIV/0!
Hispanic Ministry	152,088	214,442	219,146	213,739	243,482	24,336	11.1%
Ministry to Black Catholics*	(38,807)	0	0	(12,682)	22,318	22,318	#DIV/0!
Office for Religious	21,144	54,062	42,260	43,477	41,383	(877)	(2.1%)
Ordained Deacons	17,545	19,127	20,628	20,572	21,088	460	2.2%
Deacon Formation*	(6,585)	0	22,685	21,435	1,706	(20,979)	(92.5%)
Spirituality Training*	(4,570)	0	0	0	0	0	#DIV/0!
Seminary*	229,371	327,151	359,836	286,157	299,747	(60,089)	(16.7%)
Radio Rosary/Marian Dev*	(10,318)	0	0	0	0	0	#DIV/0!
Ministry Formation Institute	0	45,645	61,797	61,797	70,950	9,153	14.8%
Disciples in Mission	0	0	0	0	0	0	#DIV/0!
Worship Office	104,170	107,261	80,228	71,086	77,202	(3,026)	(3.8%)
Liturgical Commission	2,034	2,430	2,450	2,450	0	(2,450)	(100.%)
Vocations*	101,022	102,396	85,616	115,793	77,680	(7,936)	(9.3%)
	1,083,336	1,342,925	1,386,366	1,278,583	1,353,570	(32,796)	(2.4%)
Less:Restricted Funds*@	322,025	466,775	482,680	439,178	414,655	(68,025)	(14.1%)
Total Pastoral Services	761,311	876,150	903,686	839,405	938,915	35,229	3.9%
TOTAL ALL DEPARTMENTS UNRESTRICTED NET EXP	7,036,827	7,298,667	7,385,387	7,112,388	7,795,090	409,703	5.5%
<u>CHAPLAINS/INSTITUTIONS</u>							
Christiana Hospital	65,660	71,917	75,315	75,191	95,094	19,779	26.3%
Delaware State Hospital	14,121	15,555	16,575	14,475	14,890	(1,685)	(10.2%)
Delaware State Police	6,010	6,060	6,012	6,019	6,085	73	1.2%
Eastern Correctional	643	1,875	1,470	638	1,450	(20)	(1.4%)
Gander Hill Prison	1,803	1,952	1,954	1,805	1,993	39	2.0%
Recovering Community	35,914	37,160	38,998	38,025	46,174	7,176	18.4%
Nursing Homes	111,310	116,732	117,056	113,375	90,751	(26,305)	(22.5%)
Port of Wilmington	355	600	600	129	613	13	2.2%
Smyrna Prison	36,359	39,631	43,531	40,144	46,014	2,483	5.7%
Total Institutions	272,175	291,482	301,511	289,801	303,064	1,553	0.5%

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

Entity: Catholic Cemeteries, 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 Cemeteries, Inc.

Financial Statements for the Years Ended
June 30, 2002 and 2001

Catholic Cemeteries, Inc.
Table of Contents
June 30, 2002 and 2001

	Pages
Report of Independent Accountants	1
Financial Statements:	
Balance Sheets	2-3
Statements of Activities and Changes in Net Assets	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11

Report of Independent Accountants

To the Board of Directors
Catholic Cemeteries, 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 Cemeteries, Inc. (Cemeteries) 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 Cemeteries' 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.

PricewaterhouseCoopers LLP

September 13, 2002

Catholic Cemeteries, Inc.
Balance Sheet
June 30, 2002

	General	Operating Reserves	Endowed Care Invested Reserves	Unrestricted Total	Temporarily Restricted	Total
Assets						
Cash and cash equivalents	\$ 50,279	172,784	18,309	241,372		\$ 241,372
Pooled investments		4,921,423	5,475,371	10,396,794		10,396,794
Other investments		156,050		156,050		156,050
Private mausoleum trust				-	33,431	33,431
Special Care Fund for private mausoleums		1,371		1,371		1,371
Accounts receivable	159,122			159,122		159,122
Inventory of graves and crypts	4,918,894			4,918,894		4,918,894
Land, buildings, equipment, feature shrines, net	3,023,671			3,023,671		3,023,671
Total assets	\$ 8,151,966	5,251,628	5,493,680	\$ 18,897,274	33,431	\$ 18,930,705
Liabilities and Net Assets						
Accounts payable	\$ 1,230,169			1,230,169		\$ 1,230,169
Commitment to Christiana Care	315,039			315,039		315,039
Total Liabilities	1,545,208			1,545,208		1,545,208
Net Assets:						
Unrestricted	6,606,758			6,606,758		6,606,758
Unrestricted-Designated		5,251,628	5,493,680	10,745,308		10,745,308
Restricted				-	33,431	33,431
Total net assets	6,606,758	5,251,628	5,493,680	17,352,066	33,431	17,385,497
Total liabilities & net assets	\$ 8,151,966	5,251,628	5,493,680	18,897,274	33,431	\$ 18,930,705

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

Catholic Cemeteries, Inc.
Balance Sheet
June 30, 2001

	General	Operating Reserves	Endowed Care Invested Reserves	Unrestricted Total	Temporarily Restricted	Total
Assets						
Cash and cash equivalents	\$ 294,946	71,816	22,838	389,600		\$ 389,600
Pooled investments		5,535,990	6,477,298	12,013,288		12,013,288
Other investments		145,429		145,429		145,429
Private mausoleum trust				-	36,430	36,430
Special Care Fund for private mausoleums		1,352		1,352		1,352
Accounts receivable	182,702			182,702		182,702
Inventory of graves and crypts	3,807,637			3,807,637		3,807,637
Land, buildings, equipment, feature shrines, net	3,098,030			3,098,030		3,098,030
Total assets	\$ 7,383,315	5,754,587	6,500,136	\$ 19,638,038	36,430	\$ 19,674,468
Liabilities and Net Assets						
Accounts payable	\$ 94,035			94,035		\$ 94,035
Commitment to Christiana Care	815,039			815,039		815,039
Total Liabilities	909,074			909,074		909,074
Net Assets:						
Unrestricted	6,474,241			6,474,241		6,474,241
Unrestricted-Designated		5,754,587	6,500,136	12,254,723		12,254,723
Restricted				-	36,430	36,430
Total net assets	6,474,241	5,754,587	6,500,136	18,728,964	36,430	18,765,394
Total liabilities & net assets	\$ 7,383,315	5,754,587	6,500,136	19,638,038	36,430	\$ 19,674,468

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

Catholic Cemeteries, Inc.
Statement of Activities and Changes in Net Assets
the year ended June 30, 2002

	General	Operating Reserves	Endowed Care Invested Reserves	Unrestricted Total	Temporarily Restricted	Total
Revenue and other support						
Crypt Sales	\$ 376,497	\$ 93,363	53,785	523,645	\$	\$ 523,645
Interment Fees	449,094			449,094		449,094
Lot Sales	227,862	63,334	32,552	323,748		323,748
Private Mausoleum Sales						
Memorial Sales	174,557			174,557		174,557
Foundation Sales	73,611		8,179	81,790		81,790
Lawn Crypt Sales	31,145			31,145		31,145
Other operating income	172,654	12,834	955	186,443		186,443
Parish Cemetery Income	1,470			1,470		1,470
Pooled Investment income/(loss)	380,000		(851,927)	(471,927)		(471,927)
Income/(loss) - Operating Reserves		(395,880)		(395,880)		(395,880)
Private mausoleum trust income/(loss)		19		19	(2,999)	(2,980)
Total Revenue and other support	\$ 1,886,890	(226,330)	(756,456)	904,104	(2,999)	\$ 901,105
Expenses:						
Cost of lots, crypts and memorials	336,011			336,011		336,011
Sales Expenses - Parish Cemeteries	800			800		800
Payroll and related expenses	1,100,572			1,100,572		1,100,572
Depreciation	260,743			260,743		260,743
Repairs and maintenance of buildings, grounds and equipment	163,306			163,306		163,306
Professional fees	33,058			33,058		33,058
Insurance	35,856			35,856		35,856
Public Relations	78,154			78,154		78,154
Office Expenses - Gate of Heaven	2,052			2,052		2,052
Utilities	25,056			25,056		25,056
Supplies	18,471			18,471		18,471
Pension	65,729			65,729		65,729
Diocesan Assessment	120,000			120,000		120,000
Other	41,194			41,194		41,194
Total Expenses	2,281,002	-	-	2,281,002	-	\$ 2,281,002
(Deficiency) of revenue over expenses	(394,112)	(226,330)	(756,456)	(1,376,898)	(2,999)	(1,379,897)
Transfers of funds for general expenses	57,942	(57,942)		-		-
Transfer of funds for construction	218,687	(218,687)		-		-
Transfer for Old Cathedral	250,000		(250,000)	-		-
Total changes in net assets	132,517	(502,959)	(1,006,456)	(1,376,898)	(2,999)	(1,379,897)
Net assets at beginning of Year	6,474,241	5,754,587	6,500,136	18,728,964	36,430	18,765,394
Net assets at end of Year	\$ 6,606,758	\$ 5,251,628	\$ 5,493,680	17,352,066	\$ 33,431	\$ 17,385,497

The accompanying notes are in integral part of the financial statements

Catholic Cemeteries, Inc.
Statement of Activities and Changes in Net Assets
the Year ended June 30, 2001

	General	Operating Reserves	Endowed Care Invested Reserves	Unrestricted Total	Temporarily Restricted	Total
Revenue and other support						
Crypt Sales	\$ 442,782	\$ 126,509	63,254	632,545	\$	\$ 632,545
Interment Fees	404,318			404,318		404,318
Lot Sales	192,867	55,105	27,553	275,525		275,525
Private Mausoleum Sales	-			-		-
Memorial Sales	161,595			161,595		161,595
Foundation Sales	77,002		8,556	85,558		85,558
Lawn Crypt Sales	27,000			27,000		27,000
Other operating income	151,596	17,850	1,523	170,969		170,969
Pooled investment income/(loss)	380,000		(560,345)	(180,345)		(180,345)
Income/(loss) - Operating Reserves		(218,671)		(218,671)		(218,671)
Private mausoleum trust income/(loss)		1,352		1,352	(1,311)	41
Total Revenue and other support	\$ 1,837,160	(17,855)	(459,459)	1,359,846	(1,311)	\$ 1,358,535
Expenses:						
Cost of lots, crypts and memorials	361,375			361,375		361,375
Payroll and related expenses	1,061,127			1,061,127		1,061,127
Depreciation	252,797			252,797		252,797
Repairs and maintenance of buildings, grounds and equipment	159,637			159,637		159,637
Professional fees	34,160			34,160		34,160
Insurance	35,652			35,652		35,652
Public Relations	111,739			111,739		111,739
Utilities	29,828			29,828		29,828
Supplies	20,530			20,530		20,530
Pension	49,233			49,233		49,233
Diocesan Assessment	114,000			114,000		114,000
Other	65,456			65,456		65,456
Total Expenses	2,295,534	-	-	2,295,534	-	\$ 2,295,534
Deficiency) of revenue over expenses	(458,374)	(17,855)	(459,459)	(935,688)	(1,311)	(936,999)
Transfers of funds for general expenses	1,136,738	(1,136,738)		-		-
Transfer of funds from Endowed Care to Operating Reserves		6,602,265	(6,602,265)	-		-
Transfer for Old Cathedral	250,000		(250,000)	-		-
Total changes in net assets	928,364	5,447,672	(7,311,724)	(935,688)	(1,311)	(936,999)
Net assets at beginning of Year	5,545,877	306,915	13,811,860	19,664,652	37,741	19,702,393
Net assets at end of Year	\$ 6,474,241	\$ 5,754,587	\$ 6,500,136	18,728,964	\$ 36,430	\$ 18,765,394

The accompanying notes are in integral part of the financial statements

Catholic Cemeteries, Inc.

Statements of Cash Flows

for the Year Ended June 30, 2002 vs. the year ended June 30, 2001

	<u>2002</u>	<u>2001</u>
Cash flow from operating activities:		
Change in net assets	\$ (1,379,897)	\$ (936,999)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	260,743	252,797
Net depreciation on pooled investments	1,054,456	671,331
Other investment income	(10,621)	(9,728)
Contributions received and income earned on trust fund	2,999	1,311
Changes in assets and liabilities:		
Inventory of graves and crypts	(1,111,257)	(801,673)
Accounts receivable	23,580	36,088
Prepaid expenses	0	1,060
Accounts payable and accrued expenses	1,136,134	9,756
Special Care Fund for Private Mausoleums	(19)	(1,352)
Commitment for Old Cathedral Cemetery	(500,000)	(250,000)
Due from Diocese	0	250,000
	<u>(523,882)</u>	<u>(777,409)</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Amounts drawn from pooled investments for current operations	380,000	380,000
Amount drawn from pooled investments for Mausoleum Construction	182,000	0
Amounts drawn from pooled and other investments for Old Cathedral Cemetery	250,000	250,000
Amount drawn from pooled investments for New Cemetery	36,687	862,320
Reinvestment of interest and dividends into pooled investments	(186,649)	(272,315)
Deposits into pooled investments	(100,000)	(100,000)
Increase in land, buildings, equipment and feature shrines	(186,384)	(195,222)
	<u>375,654</u>	<u>924,783</u>
Net cash provided by investing activities		
Net increase/(decrease) in cash and cash equivalents	(148,228)	147,374
Cash & cash equivalents at beginning of year	<u>389,600</u>	<u>242,226</u>
Cash & cash equivalents at end of year	<u>\$ 241,372</u>	<u>\$ 389,600</u>

The accompanying notes are an integral part of the financial statements

CATHOLIC CEMETERIES, INC.
Notes to Financial Statements
June 30, 2002 and 2001

1. Summary of Significant Accounting Policies:

Nature of Operations:

Catholic Cemeteries, Inc. (Cemeteries) is an agency of the Catholic Diocese of Wilmington, Inc. (the Diocese) departmental structure. Cemeteries owns and operates Cathedral Cemetery and All Saints Cemetery, both located in Wilmington, Delaware and is developing Gate of Heaven Cemetery in Dagsboro, Delaware.

Basis of Reporting:

Cemeteries 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 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 yet 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, 2001 and 2000, there were no permanently restricted net assets.

Contributions:

Noncash contributions are recorded at 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.

CATHOLIC CEMETERIES, INC.
Notes to Financial Statements
June 30, 2002 and 2001

Description of Funds:

Unrestricted and board designated net assets are available for support of Cemeteries operations. Designated net assets were established by allocating 20% of each lot and crypt sale or future development and 10% of each lot, foundation, and crypt sale in order to provide for the future maintenance and preservation of the cemeteries.

Effective July 1, 2000, the Endowed Care Invested Reserves was broken out into two separate funds. The Cemetery Operating Reserves is used for the eventual development of additional Diocesan cemeteries and other projects relating to the ongoing development of existing Diocesan cemeteries. The Endowed Care Fund is used for regular monthly draws for maintenance of the cemeteries and the remaining payments to CCHS as stated in Note 6.

The income and principal of the Jeandell-Devine Private Mausoleum Trust Fund are temporarily restricted for the care and maintenance of the family mausoleum. This fund is maintained and monitored by the Diocese and is invested in fixed income, domestic equity, and international equity securities.

Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. Cemeteries' investments in cash and cash equivalents are interest-bearing. At times these amounts may exceed federally insured limits.

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.

Cemeteries 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.

Other Investments:

Other investments include a certificate of deposit with a maturity date of August 5, 2005.

Inventory of Graves and Crypts:

Inventory of graves and crypts consists of acquired land and cost relating to prepare land for present and future cemetery sites. Inventory is carried at the lower of cost or market, with cost principally determined under the average cost method.

CATHOLIC CEMETERIES, INC.
Notes to Financial Statements
June 30, 2002 and 2001

Land, Building, Equipment, and Feature Shrines:

Land, building, equipment, and feature shrines are recorded at cost. Expenditures for major renewals and betterments which extend the useful life 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.

Revenue Recognition

Cemeteries records revenues and related cost attributable to pre-need sales of burial rights on cemetery lots and crypts when customer contracts are signed.

Reclassifications

Certain balances in the 2001 statements were 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:

	<u>2002</u>	<u>2001</u>
Cash and cash equivalents	\$ 50,857	\$ 50,202
Fixed Income	3,118,442	3,452,261
Domestic equity	5,595,705	6,794,378
International equity	<u>1,631,790</u>	<u>1,716,447</u>
Total	<u>\$10,396,794</u>	<u>\$12,013,288</u>

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

Pooled investment income for the year ended June 30, 2002 and 2001 was comprised of the following:

	<u>2002</u>	<u>2001</u>
Interest and dividends	\$ 186,649	\$ 272,315
Net depreciation	<u>(1,054,456)</u>	<u>(671,331)</u>
Pooled investment loss	<u>(867,807)</u>	<u>\$ (399,016)</u>

The pooled investment loss is net of custodial and advisory fees in the amount of \$77,024 and \$84,206 for the years ended June 30, 2002 and 2001 respectively.

CATHOLIC CEMETERIES, INC.
Notes to Financial Statements
June 30, 2002 and 2001

3. Land, Buildings, Equipment, and Feature Shrines:

At June 30, 2002 and 2001, land, buildings, equipment and feature shrines consisted of the following:

	<u>2002</u>	<u>2001</u>
Land	\$ 100,000	\$ 100,000
Buildings	2,394,799	2,371,669
Construction-in-progress	863,559	799,273
Trucks and equipment	829,276	765,238
Furniture and fixtures	181,161	184,346
Roads & Fence	383,800	381,256
Feature shrines	<u>1,062,624</u>	<u>1,047,744</u>
	5,815,219	5,649,526
Accumulated depreciation	<u>(2,791,548)</u>	<u>(2,551,496)</u>
	<u>\$3,023,671</u>	<u>\$3,098,030</u>

4. Pension Plan:

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including Cemeteries. The plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined in the plan document. Contributions to the plan from Cemeteries reflect an allocation by the Diocese based on Cemeteries eligible salaries as a percentage of total eligible salaries. The amount of pension expense for the years ended June 30, 2002 and 2001 was \$65,729 and \$49,233 respectively, and is reflected in operating expenses on the statement of activities.

5. Related Party Transactions:

Certain members of Cemeteries board are also board members of the Diocese, a related entity.

For the years ended June 30, 2002 and 2001, Cemeteries was allocated \$120,000 and \$114,000 respectively of general and administrative costs which is reflected in the statements of activities.

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

Catholic Cemeteries also performs certain administrative functions for Parish Cemeteries within the Diocese, which it does not own.

CATHOLIC CEMETERIES, INC.
Notes to Financial Statements
June 30, 2002 and 2001

6. Commitments and Contingencies

In 1955, the Cathedral Cemetery Company, predecessor of Catholic Cemeteries, Inc., contracted with Delaware Hospital, now known as Christiana Care Health Services (CCHS), for the sale of a plot of land, Old Cathedral Cemetery, located in Wilmington, Delaware. Upon commencement of construction by CCHS during the 1998 fiscal year, buried remains were discovered at the former Old Cathedral Cemetery site. Disinterment by specialists employed by CCHS was completed in 1999, and re-interment by Cemeteries was required. The total cost of these procedures was approximately \$2,500,000. In 1999, Cemeteries entered into a commitment with CCHS to share equally in the costs. The agreement stated that Cemeteries will reimburse CCHS \$1,250,000 in five equal non-interest bearing installments of \$250,000 beginning on June 15, 1999. Cemeteries also agreed to pay CCHS up to \$125,000 as a sixth and final payment for additional directly related costs. In 2000, final costs were determined by CCHS and the sixth payment was reduced to approximately \$65,000. Payments have been made in 1999, 2000, 2001 and 2002 and the remaining liability has been accrued for in full.

Cemeteries also has noncancellable commitments of approximately \$729,945 with several construction companies for the initial development of the Gate of Heaven Cemetery in Dagsboro, Delaware. This work was contracted for in April 2002 and commenced in June 2002.

7. Income Taxes:

Cemeteries 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.

**Catholic
Cemeteries, Inc.**

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

Catholic Cemeteries, Inc.
Table of Contents
For the Years Ended June 30, 2000 and 1999

	Pages
Report of Independent Accountants	1
Financial Statements:	
Balance Sheets	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-10

Report of Independent Accountants

To the Board of Directors
Catholic Cemeteries, 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 Cemeteries, Inc. (Cemeteries) as of 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 Cemeteries' 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.

PricewaterhouseCoopers LLP

September 23, 2000

Catholic Cemeteries, Inc.
Balance Sheets
June 30, 2000 and 1999

Assets	2000					1999	
	Unrestricted	Unrestricted Designated		Unrestricted Total	Temporarily Restricted	Total	Total
	General	Operating Reserves	Endowed Care Invested Reserves				
Cash and cash equivalents	\$ 63,775	\$ 156,499	\$ 21,952	\$ 242,226		\$ 242,226	\$ 197,527
Pooled investments			13,789,908	13,789,908		13,789,908	12,908,636
Other investments		150,416		150,416		150,416	299,231
Private mausoleum trusts				-	\$ 37,741	37,741	33,653
Accounts receivable	218,790			218,790		218,790	194,617
Prepaid expenses	1,060			1,060		1,060	3,938
Inventory of graves and crypts	2,980,964			2,980,964		2,980,964	3,019,694
Land, buildings, equipment, and feature shrines, net	3,180,631			3,180,631		3,180,631	2,829,043
Due from Diocese	250,000			250,000		250,000	-
Total assets	\$6,695,220	\$306,915	\$13,811,860	\$20,813,995	\$37,741	\$20,851,736	\$19,486,339
Liabilities and Net Assets							
Accounts payable and accrued expenses	84,304			84,304		84,304	71,982
Commitment for Old Cathedral Cemetery	1,065,039			1,065,039		1,065,039	1,125,000
Total liabilities	1,149,343	-	-	1,149,343	-	1,149,343	1,196,982
Net assets:							
Unrestricted - general	5,545,877			5,545,877		5,545,877	4,940,513
Unrestricted - designated		306,915	13,811,860	14,118,775		14,118,775	13,315,191
Temporarily restricted				-	37,741	37,741	33,653
Total net assets	5,545,877	306,915	13,811,860	19,664,652	37,741	19,702,393	18,289,357
Total liabilities and net assets	\$6,695,220	\$306,915	\$13,811,860	\$20,813,995	\$37,741	\$20,851,736	\$19,486,339

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

Catholic Cemeteries, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2000

	Unrestricted	Unrestricted Designated		Unrestricted Total	Temporarily Restricted	Total
	General	Operating Reserves	Endowed Care Invested Reserves			
Revenue and other support:						
Crypt sales	\$ 478,070	\$ 136,592	\$ 68,296	\$ 682,958		\$ 682,958
Interment fees	412,194			412,194		412,194
Lot sales	212,048	60,584	30,293	302,925		302,925
Private mausoleum sales	12,917			12,917		12,917
Memorial sales	187,143			187,143		187,143
Foundations	63,214		7,024	70,238		70,238
Other operating income	104,228	22,057	1,398	127,683		127,683
Pooled investment income	421,500		1,231,272	1,652,772		1,652,772
Private mausoleum trust income				-	\$ 4,388	4,388
Total revenue and other support	1,891,314	219,233	1,338,283	3,448,830	4,388	3,453,218
Expenses:						
Cost of lots, crypts and memorials	363,179			363,179		363,179
Payroll and related expenses	992,689			992,689		992,689
Depreciation	221,227			221,227		221,227
Repairs and maintenance of buildings, grounds and equipment	149,159			149,159		149,159
Professional fees	22,000			22,000		22,000
Insurance	34,894			34,894		34,894
Public relations	27,836			27,836		27,836
Utilities	27,825			27,825		27,825
Supplies	24,866			24,866		24,866
Pension	39,542			39,542		39,542
Diocesan assessment	103,617			103,617		103,617
Commitment for Old Cathedral Cemetery	(59,961)			(59,961)		(59,961)
Other	93,309			93,309		93,309
Total expenses	2,040,182	-	-	2,040,182	-	2,040,182
(Deficiency)/excess of revenue over expenses	(148,868)	219,233	1,338,283	1,408,648	4,388	1,413,036
Transfer of funds for general expenses	303,932	(303,932)		-		-
Transfer of funds for construction and Old Cathedral Cemetery liability	450,000		(450,000)	-		-
Net assets released from restriction	300			300	(300)	-
Changes in net assets	605,364	(84,699)	888,283	1,408,948	4,088	1,413,036
Net assets at beginning of year	4,940,513	391,614	12,923,577	18,255,704	33,653	18,289,357
Net assets at end of year	\$ 5,545,877	\$ 306,915	\$ 13,811,860	\$ 19,664,652	\$ 37,741	\$ 19,702,393

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

Catholic Cemeteries, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 1999

	Unrestricted	Unrestricted Designated		Unrestricted Total	Temporarily Restricted	Total
	General	Operating Reserves	Endowed Care Invested Reserves			
Revenue and other support:						
Crypt sales	\$ 370,696	\$ 105,914	\$ 52,955	\$ 529,565		\$ 529,565
Interment fees	405,934			405,934		405,934
Lot sales	190,180	54,557	27,279	272,016		272,016
Memorial sales	156,916			156,916		156,916
Foundations	60,999		6,779	67,778		67,778
Other operating income	106,053	37,403	1,396	144,852		144,852
Pooled investment income	350,000		542,226	892,226		892,226
Private mausoleum trust income				-	\$ 1,047	1,047
Total revenue and other support	1,640,778	197,874	630,635	2,469,287	1,047	2,470,334
Expenses:						
Cost of lots, crypts and memorials	285,405			285,405		285,405
Payroll and related expenses	916,195			916,195		916,195
Depreciation	186,560			186,560		186,560
Repairs and maintenance of buildings, grounds, and equipment	127,717			127,717		127,717
Professional fees	21,000			21,000		21,000
Insurance	34,154			34,154		34,154
Public relations	48,184			48,184		48,184
Utilities	21,541			21,541		21,541
Supplies	21,230			21,230		21,230
Pension	39,059			39,059		39,059
Diocesan assessment	71,250			71,250		71,250
Commitment for Old Cathedral Cemetery	1,125,000			1,125,000		1,125,000
Other	65,818			65,818		65,818
Total expenses	2,963,113	-	-	2,963,113	-	2,963,113
(Deficiency) excess of revenue over expenses	(1,322,335)	197,874	630,635	(493,826)	1,047	(492,779)
Transfer of funds for general expenses	398,382	(398,382)		-		-
Transfer of funds for construction and Old Cathedral Cemetery liability	775,800	(100,000)	(675,800)	-		-
Net assets released from restriction	300			300	(300)	-
Changes in net assets	(147,853)	(300,508)	(45,165)	(493,526)	747	(492,779)
Net assets at beginning of year	5,088,366	692,122	12,968,742	18,749,230	32,906	18,782,136
Net assets at end of year	\$ 4,940,513	\$ 391,614	\$ 12,923,577	\$ 18,255,704	\$ 33,653	\$ 18,289,357

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

Catholic Cemeteries, 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	\$ 1,413,036	\$ (492,779)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	221,227	186,560
Net appreciation on pooled investments	(1,419,156)	(526,912)
Net appreciation on other investments	(11,194)	(22,539)
Net income earned on private mausoleum trust fund	(4,088)	(747)
Changes in assets and liabilities:		
Inventory of graves and crypts	38,730	(926,984)
Accounts receivable	(24,173)	68,107
Prepaid expenses	2,878	(3,938)
Accounts payable and accrued expenses	12,322	8,289
Commitment for Old Cathedral Cemetery	(59,961)	779,200
Due from Diocese	(250,000)	-
Net cash used in operating activities	<u>(80,379)</u>	<u>(931,743)</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments for current operations	421,500	350,000
Amounts drawn from pooled investments for mausoleum construction	200,000	525,800
Amounts drawn from pooled and other investments for Old Cathedral Cemetery	250,000	250,000
Reinvestment of interest and dividends into pooled investments	(233,616)	(365,314)
Deposits into pooled investments	(100,000)	(90,000)
Deposits into other investments	-	(110,392)
Proceeds from sale of other investments	160,009	199,369
Purchase of land, buildings, equipment, and feature shrines	(587,344)	(184,272)
Transfer of land development to inventory	14,529	220,774
Net cash provided by investing activities	<u>125,078</u>	<u>795,965</u>
Net increase/(decrease) in cash and cash equivalents	44,699	(135,778)
Cash and cash equivalents at beginning of year	<u>197,527</u>	<u>333,305</u>
Cash and cash equivalents at end of year	<u>\$ 242,226</u>	<u>\$ 197,527</u>

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

Catholic Cemeteries, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2000 and 1999

1. Summary of Significant Accounting Policies

Nature of Operations

Catholic Cemeteries, Inc. (Cemeteries) is an agency of the Catholic Diocese of Wilmington, Inc. (the Diocese) departmental structure. Cemeteries owns and operates Cathedral Cemetery and All Saints Cemetery, both located in Wilmington, Delaware.

Basis of Reporting

Cemeteries 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 categories 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 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, 2000 and 1999, there were no permanently restricted net assets.

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 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 statements 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.

Catholic Cemeteries, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2000 and 1999

Description of Funds

Unrestricted and board designated net assets are available for support of Cemeteries' operations. Designated net assets were established by allocating 20% of each lot and crypt sale for future development and 10% of each lot, foundation, and crypt sale to provide for the future maintenance and preservation of the cemeteries.

The income and principal of the Jeandell-Devine Private Mausoleum Trust Fund are temporarily restricted for the care and maintenance of the family mausoleum. This fund is maintained and monitored by the Diocese and is invested in fixed income, domestic equity, and international equity securities.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. Cemeteries' investments in cash and cash equivalents are interest bearing. At times these amounts may exceed federally insured limits.

Pooled Investments

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

Cemeteries 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.

Other Investments

Other investments include a certificate of deposit with maturities ranging from November 1999 through the year 2000. As these certificates of deposits mature, the funds are deposited into pooled investments for operations which is maintained and monitored by the Diocese. As of June 30, 2000, other investments include one certificate of deposit with a maturity date of July 28, 2000.

Inventory of Graves and Crypts

Inventory of graves and crypts consist of acquired land and costs relating to preparing land for present and future cemetery sites. Inventory is carried at the lower of cost or market, with cost principally determined under the average cost method.

Land, Buildings, Equipment, and Feature Shrines

Land, buildings, equipment, and feature shrines are recorded at cost. Expenditures for major renewals and betterments which extend the useful life 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.

Catholic Cemeteries, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2000 and 1999

Revenue Recognition

Cemeteries records revenues and related costs attributable to pre-need sales of burial rights on cemetery lots and crypts when customer contracts are signed.

Reclassifications

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

2. Pooled Investments

Cemeteries 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	\$ 52,014	\$ 11,832
Fixed income	4,242,650	3,608,188
Domestic equity	7,294,165	7,454,248
International equity	2,201,079	1,834,368
	<u>\$13,789,908</u>	<u>\$12,908,636</u>
Total pooled investments		

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	\$ 233,616	\$365,314
Net appreciation	1,419,156	526,912
	<u>\$1,652,772</u>	<u>\$892,226</u>
Pooled investment income		

The pooled investment income is net of custodial and advisory fees in the amount of \$92,897 and \$51,067 for the years ended June 30, 2000 and 1999, respectively.

Catholic Cemeteries, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2000 and 1999

3. Land, Buildings, Equipment and Feature Shrines

At June 30, 2000 and 1999, land, buildings, equipment, and feature shrines consisted of the following:

	2000	1999
Land	\$ 110,471	\$ 100,000
Buildings	2,311,808	1,922,294
Construction-in-progress	819,525	816,424
Trucks and equipment	702,357	642,836
Furniture and fixtures	160,692	139,399
Roads and fences	326,732	276,232
Feature shrines	1,047,745	1,009,330
	<u>5,479,330</u>	<u>4,906,515</u>
Accumulated depreciation	<u>(2,298,699)</u>	<u>(2,077,472)</u>
	<u>\$3,180,631</u>	<u>\$2,829,043</u>

4. Pension Plan

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including Cemeteries. The plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined in the Plan document. Contributions to the plan from Cemeteries reflect an allocation by the Diocese based on Cemeteries eligible salaries as a percentage of total eligible salaries. The pension expense for the years ended June 30, 2000 and 1999 was \$39,542 and \$39,059, respectively, and is reflected on the statements of activities.

5. Related Party Transactions

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

For the years ended June 30, 2000 and 1999 the Diocese assessed Cemeteries \$103,617 and \$71,250, respectively, of general and administrative costs, which is reflected in the statements of activities.

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

6. Commitments and Contingencies

In 1955, the Cathedral Cemetery Company, predecessor of Catholic Cemeteries, Inc., contracted with Delaware Hospital, now known as Christiana Care Health Services (CCHS), for the sale of a plot of land, Old Cathedral Cemetery, located in Wilmington, Delaware. Upon commencement of construction by CCHS during the 1998 fiscal year, buried remains were discovered at the former Old Cathedral Cemetery site. Disinterment by specialists employed by CCHS was completed in 1999, and re-interment by Cemeteries was required. The total cost of these procedures was approximately

Catholic Cemeteries, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2000 and 1999

\$2,500,000. In 1999, Cemeteries entered into a commitment with CCHS to share equally in the costs. The agreement stated that Cemeteries will reimburse CCHS \$1,250,000 in five equal non-interest bearing annual installments of \$250,000 beginning on June 15, 1999. Cemeteries also agreed to pay CCHS up to \$125,000 as a sixth and final payment for additional directly related costs. In 2000, final costs were determined by CCHS and the sixth payment was reduced to approximately \$65,000. The first two payments were made in July 2000 and June 1999, and the remaining liability has been accrued for in full.

7. Income Taxes

Cemeteries 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.

8. Subsequent Event

In March 2000, the Board approved a resolution to redesignate the ending balance in the Endowed Care Invested Reserves. The \$13,789,908 balance in Endowed Care Invested Reserves as of June 30, 2000 will be redesignated into \$6,602,265 for Cemetery Operating Reserves and \$7,187,643 for the Endowed Care Fund, effective July 1, 2000. The Cemetery Operating Reserves will be used for the eventual development of additional Diocesan cemeteries and other projects related to the ongoing development of existing Diocesan cemeteries. The Endowed Care Fund will be used for regular monthly draws for maintenance of the cemeteries and the remaining payments to CCHS as stated in Note 6.

CATHOLIC CEMETERIES, INC.

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

CATHOLIC CEMETERIES, INC.

TABLE OF CONTENTS

	<u>Pages</u>
Report of Independent Accountants	1
Financial Statements:	
Balance Sheets as of June 30, 1998 and 1997	2
Statement of Activities for the year ended June 30, 1998	3
Statement of Activities for the year ended June 30, 1997	4
Statements of Cash Flows for the years ended June 30, 1998 and 1997	5
Notes to Financial Statements	6-10

Report of Independent Accountants

To the Board of Directors
Catholic Cemeteries, 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 Cemeteries, Inc. (Cemeteries) 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 Cemeteries' 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.

PricewaterhouseCoopers LLP

October 2, 1998

CATHOLIC CEMETERIES, INC.

Balance Sheets as of June 30, 1998 and 1997

ASSETS	1998			1997		
	General	Unrestricted Designated	Total	Temporarily Restricted	Total	Total
Cash and cash equivalents	\$ 90,320	\$ 242,985	\$ 333,305		\$ 333,305	\$ 255,053
Pooled investments		12,952,211	12,952,211		12,952,211	11,396,121
Other investments		465,668	465,668		465,668	514,363
Private mausoleum trusts				\$ 32,906	32,906	29,946
Accounts receivable	262,724		262,724		262,724	268,494
Inventory of graves and crypts	2,092,710		2,092,710		2,092,710	1,914,404
Land, buildings, equipment, and feature shrines, net	3,052,105		3,052,105		3,052,105	3,039,388
Total assets	<u>\$ 5,497,859</u>	<u>\$ 13,660,864</u>	<u>\$ 19,158,723</u>	<u>\$ 32,906</u>	<u>\$ 19,191,629</u>	<u>\$ 17,417,769</u>
LIABILITIES AND NET ASSETS						
Accounts payable and accrued expenses	409,493		409,493		409,493	214,331
Total liabilities	<u>409,493</u>		<u>409,493</u>	<u>-</u>	<u>409,493</u>	<u>214,331</u>
Net assets:						
Unrestricted - general	5,088,366		5,088,366		5,088,366	5,089,145
Unrestricted - designated		13,660,864	13,660,864		13,660,864	12,084,347
Temporarily restricted				32,906	32,906	29,946
Total net assets	<u>5,088,366</u>	<u>13,660,864</u>	<u>18,749,230</u>	<u>32,906</u>	<u>18,782,136</u>	<u>17,203,438</u>
Total liabilities and net assets	<u>\$ 5,497,859</u>	<u>\$ 13,660,864</u>	<u>\$ 19,158,723</u>	<u>\$ 32,906</u>	<u>\$ 19,191,629</u>	<u>\$ 17,417,769</u>

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

CATHOLIC CEMETERIES, INC.

Statement of Activities for the year ended June 30, 1998

	Unrestricted			Temporarily Restricted	Total
	General	Designated	Total		
Revenue and other support:					
Crypt sales	\$ 370,007	\$ 158,574	\$ 528,581		\$ 528,581
Interment fees	376,981		376,981		376,981
Lot sales	235,970	100,800	336,770		336,770
Memorial sales	145,742		145,742		145,742
Foundations	57,342	6,372	63,714		63,714
Other operating income	123,992	39,500	163,492		163,492
Pooled investment income		2,029,989	2,029,989		2,029,989
Private mausoleum trust income			-	\$ 2,960	2,960
Total revenue and other support	1,310,034	2,335,235	3,645,269	2,960	3,648,229
Expenses:					
Cost of lots, crypts and memorials	282,179		282,179		282,179
Payroll and related expenses	837,258		837,258		837,258
Depreciation	177,214		177,214		177,214
Repairs and maintenance of buildings, grounds, and equipment	154,954		154,954		154,954
Professional fees	20,500		20,500		20,500
Insurance	31,329		31,329		31,329
Public relations	33,423		33,423		33,423
Utilities	22,132		22,132		22,132
Supplies	21,251		21,251		21,251
Pension	32,912		32,912		32,912
Diocesan assessment	57,000		57,000		57,000
Other	399,379		399,379		399,379
Total expenses	2,069,531	-	2,069,531	-	2,069,531
Excess/(deficiency) of revenue over expenses	(759,497)	2,335,235	1,575,738	2,960	1,578,698
Transfers	758,718	(758,718)	-		-
Changes in net assets	(779)	1,576,517	1,575,738	2,960	1,578,698
Net assets at beginning of year	5,089,145	12,084,347	17,173,492	29,946	17,203,438
Net assets at end of year	\$5,088,366	\$13,660,864	\$ 18,749,230	\$ 32,906	\$18,782,136

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

CATHOLIC CEMETERIES, INC.

Statement of Activities for the year ended June 30, 1997

	Unrestricted		Temporarily Restricted	Total
	General	Designated		
Revenue and other support:				
Crypt sales	\$ 471,359	\$ 202,013		\$ 673,372
Interment fees	341,892		341,892	341,892
Lot sales	199,141	85,989		285,130
Memorial sales	134,870		134,870	134,870
Foundations	52,866	5,874		58,740
Other operating income	97,677	46,312		143,989
Pooled investment income		2,057,358		2,057,358
Private mausoleum trust income			\$ 3,101	3,101
Contributions			26,845	26,845
Total revenue and other support	1,297,805	2,397,546	29,946	3,725,297
Expenses:				
Cost of lots, crypts and memorials	321,826			321,826
Payroll and related expenses	817,816			817,816
Depreciation	157,631			157,631
Repairs and maintenance of buildings, grounds, and equipment	117,771			117,771
Professional fees	20,500			20,500
Insurance	31,481			31,481
Public relations	17,136			17,136
Utilities	22,602			22,602
Supplies	29,544			29,544
Diocesan assessment	55,000			55,000
Pension	29,920			29,920
Other	51,169			51,169
Total expenses	1,672,396	-	-	1,672,396
Excess/(deficiency) of revenue over expenses	(374,591)	2,397,546		2,022,955
Transfers	673,355	(673,355)		29,946
Changes in net assets	298,764	1,724,191	29,946	2,052,901
Net assets at beginning of year	4,790,381	10,360,156		15,150,537
Net assets at end of year	\$5,089,145	\$12,084,347	\$ 29,946	\$17,203,438

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

CATHOLIC CEMETERIES, 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	\$ 1,578,698	\$ 2,052,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	177,214	157,631
Net appreciation on pooled investments	(1,726,053)	(1,755,426)
Other investment income	(21,305)	(8,889)
Contributions received and income earned on trust fund	(2,960)	(29,946)
Increase in inventory of graves and crypts	(178,306)	(193,830)
(Increase)/decrease in accounts receivable	5,770	(55,263)
Increase in accounts payable and accrued expenses	<u>195,162</u>	<u>161,699</u>
Net cash provided by operating activities	<u>28,220</u>	<u>328,877</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments for current operations	573,899	240,000
Reinvestment of interest and dividends into pooled investments	(303,936)	(301,932)
Deposits into pooled investments	(100,000)	(95,000)
Purchase of land, buildings, equipment, and feature shrines	(189,931)	(330,277)
Purchase of other investments	(80,000)	(100,000)
Proceeds from sale of other investments	<u>150,000</u>	<u>264,450</u>
Net cash provided by/(used in) investing activities	<u>50,032</u>	<u>(322,759)</u>
Net increase in cash and cash equivalents	78,252	6,118
Cash and cash equivalents at beginning of year	<u>255,053</u>	<u>248,935</u>
Cash and cash equivalents at end of year	<u>\$ 333,305</u>	<u>\$ 255,053</u>

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

CATHOLIC CEMETERIES, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Operations:

Catholic Cemeteries, Inc. (Cemeteries) owns and operates Cathedral Cemetery and All Saints Cemetery, both located in Wilmington, Delaware.

Basis of Reporting:

Cemeteries 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 yet been met and pledges receivable for which the ultimate 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 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.

Description of Funds:

Unrestricted and board designated net assets are available for support of Cemeteries' operations. Designated net assets were established by allocating 20% of each lot and crypt sale for future development and 10% of each lot, foundation, and crypt sale to provide for the future maintenance and preservation of the cemeteries.

The Jeandell-Devine Private Mauseleum Trust Fund was established during the year ended June 30, 1997. The income and principal of this fund are temporarily restricted for the care and maintenance of the family mausoleum.

Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. At times these amounts may exceed federally insured limits.

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.

Cemeteries 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.

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, continued:

Pooled Investments, continued:

Cemeteries 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.

Other Investments:

Other investments included a variety of certificates of deposit with maturities ranging from July 1998 to the year 2000.

Inventory of Graves and Crypts:

Inventory of graves and crypts consist of acquired land and costs relating to preparing land for present and future cemetery sites. Inventory is carried at the lower of cost or market, with cost principally determined under the average cost method.

Land, Buildings, Equipment, and Feature Shrines:

Land, buildings, equipment, and feature shrines are recorded at cost. Expenditures for major renewals and betterments which extend the useful life 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.

2. Pooled Investments:

Cemeteries 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	\$ 143,297	\$ 88,473
Fixed income	3,035,793	2,887,848
Domestic equity	8,746,909	7,511,280
International equity	1,026,212	908,520
	<u>\$ 12,952,211</u>	<u>\$ 11,396,121</u>

Notes to Financial Statements, Continued

2. Pooled Investments, continued:

The fair value of investments in Cemeteries 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	\$ 303,936	\$ 301,932
Net appreciation	<u>1,726,053</u>	<u>1,755,426</u>
	<u>\$ 2,029,989</u>	<u>\$ 2,057,358</u>

The pooled investment income is net of custodial and advisory fees in the amount of \$79,857 and \$73,457 for the years ended June 30, 1998 and 1997, respectively.

3. Land, Buildings, Equipment and Feature Shrines:

At June 30, 1998 and 1997, land, buildings, equipment, and feature shrines consisted of the following:

	<u>1998</u>	<u>1997</u>
Land	\$ 100,000	\$ 100,000
Buildings	1,838,064	1,781,313
Construction-in-progress	1,022,153	1,075,766
Trucks and equipment	581,133	476,349
Furniture and fixtures	119,834	112,602
Roads and fences	270,452	211,098
Feature shrines	<u>1,011,381</u>	<u>995,958</u>
	4,943,017	4,753,086
Accumulated depreciation	<u>(1,890,912)</u>	<u>(1,713,698)</u>
	<u>\$ 3,052,105</u>	<u>\$ 3,039,388</u>

4. Pension Plan:

The Diocese sponsors a noncontributory defined benefit pension plan covering all full-time lay employees of the Diocese, including Cemeteries. The plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined. Contributions to the plan from Cemeteries reflect an allocation by the Diocese based on Cemeteries eligible salaries as a percentage of total eligible salaries. The pension expense for the years ended June 30, 1998 and 1997 was \$32,912 and \$29,920, respectively, and is reflected on the statements of activities.

Notes to Financial Statements, Continued

5. Related Party Transactions:

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

For the years ended June 30, 1998 and 1997, the Diocese assessed Cemeteries \$57,000 and \$55,000, respectively, of general and administrative costs.

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

6. Income Taxes:

Cemeteries 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:

In 1955, the Cathedral Cemetery Company, predecessor of Catholic Cemeteries, Inc., contracted with Delaware Hospital, now known as Christiana Care Health Services (CCHS), for the sale of a plot of land, Old Cathedral Cemetery, located in Wilmington, Delaware. Upon commencement of construction by CCHS during the 1998 fiscal year, buried remains were discovered at the former Old Cathedral Cemetery site. Disinterment by specialists employed by CCHS is in progress and re-interment will be required. CCHS has requested Cemeteries to share equally in the costs; however, the ultimate total cost has not been determined and is not presently estimable by Cemeteries. In the opinion of management and counsel, any additional liability, in excess of the amount recorded by Cemeteries, will not have a material adverse effect on the financial position or results of operations of Cemeteries.

CATHOLIC CEMETERIES, INC.
PROPOSED BUDGET FOR YEAR 2002-2003

ACCT.	INCOME ACCOUNTS	FY 2001-2002	6 MOS 2001-2002	FY 2002-2003
CATHEDRAL CEMETERY				
400339-01	Other Revenue	\$ 10,900	\$ 6,353	\$ 10,900
403550-01	Lot Sales - Net*	28,000	16,481	35,000
403553-01	Mausoleum Sales - Net*	346,000	118,299	280,000
403552-01	Foundation Sales - Net*	17,680	9,773	19,000
403557-01	Interment Fee	165,075	85,053	172,000
403558-01	Fees and Deeds	1,000	185	1,000
403559-01	Annual Care	1,600	1,230	1,600
435515-01	Entombments	35,145	19,215	39,000
435516-01	Lettering Crypts	24,000	8,565	18,000
435517-01	Memorials	45,000	24,378	50,000
435523-01	Lettering Memorials	12,000	6,753	14,000
	Total Revenue - Cathedral	\$ 686,400	\$ 296,285	\$ 640,500
ALL SAINTS CEMETERY				
400339-02	Other Revenue	\$ 12,600	\$ 12,665	\$ 13,000
43551-02	Lot Sales - Net*	178,000	101,318	210,000
43552-02	Foundation Sales - Net*	54,000	28,308	58,000
403557-02	Interment Fees	240,250	134,140	268,280
403558-02	Fees and Deeds	900	995	1,500
435510-02	Mausoleum Sales - Net*	152,945	30,114	149,000
435513-02	Entombments	20,790	7,325	18,000
435514-02	Lettering Crypts	12,770	4,935	12,000
435518-02	Memorials	104,000	59,936	120,000
435524-02	Lettering Memorials	5,000	4,600	9,500
435528-02	Lawn Crypts	30,000	18,995	37,900
	Total Revenue - All Saints	\$ 811,255	\$ 403,331	\$ 897,180
CEMETERY DRAW FROM ENDOWED CARE FUND				
436010-00	Inc. from Endowed Care Portfolio managed by the Diocese of Wilmington	\$ 380,000	\$ 190,000	** 680,000
ANTICIPATED TOTAL OPERATIONAL INCO		\$ 1,877,655	\$ 889,616	\$ 2,217,680

NOTE: Lot & Mausoleum Sales are shown net of the 10% of Gross Sales allocated to Endowed Care and the 20% of Gross sales allocated and disbursed to the Development and Capital Improvement Budget.

**Includes draw for Old Cathedral

CATHOLIC CEMETERIES, INC.
PROPOSED BUDGET FOR YEAR 2002-2003

CT.	Expense Accounts	FY 2001-2002	6 MOS 2001-2002	FY 2002-2003
	Salaries & Related Expenditures			
various	Employees - Salary	\$ 431,028	\$ 222,577	\$ 448,756
505190-**	Employees - Hourly	355,570	167,176	352,104
505191-**	Maintenance - Overtime	25,000	15,152	32,000
505192-**	Maintenance - Seasonal	18,000	8,649	18,000
505210-**	Employee Health Insurance	114,948	56,051	123,444
505211-**	Blood Bank	84	0	84
505221-**	Diocesan Pension	47,196	0	49,965
505240-**	Worker's Compensation	30,000	27,186	32,000
505223-**	Employee Uniform Expense	8,000	3,835	8,240
505250-**	Social Security Taxes	51,435	25,547	52,753
505280-**	Medicare	12,029	5,975	12,337
505230-**	Sick Leave	no request	0	
505270-**	Temporary Agency Employment	23,000	23,274	** 50,000
505171-01	Religious Compensation	13,372	6,689	14,292
	TOTAL SALARIES AND RELATED EXPENDITURE	\$ 1,129,662	\$ 562,111	\$ 1,179,683
	OPERATIONAL COSTS			
	Miscellaneous Expenditures			
500539-**	Miscellaneous Other	\$ 3,500	\$ 912	\$ 3,500
	Supplies			
505502-**	Office/Computer - C & AS	6,000	3,349	6,600
505503-**	Interment Supplies	5,000	2,497	5,000
505504-**	Chapel	1,200	421	1,000
505505-**	Janitorial	4,000	1,383	3,500
505506/01-**	Materials & Supplies - Misc./Shop	1,600	551	1,200
	Telephone & Postage			
505601-01	Telephone - C	3,200	993	2,200
505602-02	Telephone - AS	3,200	972	2,200
505603-00	Telephone - Miscellaneous	2,000	841	2,000
500570-**	Postage	6,000	1,944	5,000
	Utilities - Gas, Water, Electric			
505831-01	Water, Electric and Security Lights (C)	7,800	3,969	8,000
505832-02	Water & Electric - AS	5,500	2,708	5,600
505833-01	Heat - C	2,000	301	2,000
505834-02	Heat - AS	4,200	637	4,200
505835-01	Heat - M	4,500	171	4,500

**includes renovations at Cathedral

CATHOLIC CEMETERIES, INC.
PROPOSED BUDGET FOR YEAR 2002-2003

<u>INCOME ACCOUNTS</u>				
<u>ACCT.</u>		<u>FY 2001-2002</u>	<u>6 MOS 2001-2002</u>	<u>FY 2002-2003</u>
	Maintenance			
505841-**	Buildings and Grounds	32,000	10,086	** 57,000
505842-01	Mausoleums - C	5,000	2,290	5,000
558419-02	Mausoleums - AS	5,000	230	5,000
505843-**	Monuments	8,000	1,936	5,000
505846-01	Landscaping - C	5,000	1,470	5,000
505847-02	Landscaping - AS	5,000	5,860	5,000
505848-01	Closing Gates - C	2,500	1,200	2,600
505849-02	Closing Gates - AS	2,500	1,200	2,600
558412-02	Maintenance of Shrines	3,000	0	3,000
558413-**	Road Repairs - C & AS	5,000	5,675	5,000
558415-**	Trash Removal - C & AS	6,500	2,539	6,800
558416-**	Security	14,500	6,401	14,500
558417-02	Maintenance - Chapel - AS	1,000	0	1,000
505851**	Office Equipment	7,000	8,290	9,000
505852-**	Mobile Equipment - Autos	4,000	498	4,000
505853-**	Mobile Equipment - Trucks	8,000	1,869	8,000
505854-**	Mowers	3,000	912	3,000
505855-**	Tractors & Backhoes	3,600	575	3,600
505856-**	Maintenance - Miscellaneous	2,800	668	2,000
505857-**	Heaters - Sub Contractors	1,500	458	1,500
500588-**	Insurance	44,000	38,099	44,560
500589-**	Other Taxes Licenses & Fees	2,000	1,291	2,400
500611-**	Printing & Duplicating*	9,000	4,216	9,000
506221-01	Gas, Oil-Mobile Equipment-C	7,000	2,540	6,500
506222-02	Gas, Oil-Mobile Equipment-AS	7,000	2,532	6,500
TOTAL OPERATING COSTS		\$ 253,600	\$ 122,484	\$ 271,060

<u>PUBLIC SERVICE & RELATIONS</u>				
505440-00	Professional Fees	\$ 19,000	\$ 11,058	18,000
505441-**	Stipends	1,820	830	1,820
500631-00	Conferences & Meetings Attended	16,000	1,168	14,000
500651-00	Conferences & Meetings Held	6,000	3,728	7,500
500641-**	Books, Subscriptions, Films	2,000	225	1,500
new category	Art Work & Brochures	5,000	645	3,500
500612/613	Advertising/Public Relations	55,000	28,967	55,000
500711-00	Membership Dues & Fees	2,000	1,190	2,200
500712-00	Contingency Fund	10,000	2,188	10,000
500720-00	Special Events	5,000	7,352	8,000

** Includes \$ 25,000 for Cathedral Renovations

CATHOLIC CEMETERIES, INC.
PROPOSED BUDGET FOR YEAR 2002-2003

<u>ACCT.</u>	<u>Expense Accounts</u>	<u>FY 2001-2002</u>	<u>6 MOS 2001-2002</u>	<u>FY 2002-2003</u>
	<u>Operational Costs Continued</u>			
	<u>Contributions</u>			
500713-**	Charity Cases & Contributions	18,000	9,113	18,000
507132-00	Parish Cemetery Expense	5,000	1,650	4,500
507133-00	Old Cathedral Expense	0	0	250,000
507131-00	Allocation to Diocese of Wilmington	118,560	60,000	118,560
TOTAL PUBLIC SERVICE & RELATIONS		\$ 263,380	\$ 128,114	\$ 512,580
	<u>COST OF MEMORIALS & LETTERING</u>			
500530-**	Crypt Lettering	\$ 26,000	9,571	20,000
500535-**	Foundations	7,000	1,337	4,500
500536-**	Memorial Lettering	9,300	5,907	12,000
500531/2-**	Bronze & Granite Memorials	88,000	41,999	82,000
100317-00	Miscellaneous Interment Supplies	18,000	1,451	10,000
500538-**	Interment Expense	7,500	7,465	14,000
0472-**	Miscellaneous Sales Expense*	3,000	707	2,500
TOTAL COST OF GOODS SOLD		\$ 158,800	\$ 68,437	\$ 145,000
	<u>DEPRECIATION</u>	\$	\$	\$
500714-00	Depreciation Expense	244,000	133,287	276,000
TOTAL OPERATING EXPENSES		\$ 2,049,442	\$ 1,014,433	\$ 2,384,323
NET OPERATING REVENUE/DEFICIT**		\$ (171,787)	\$ (124,817)	\$ (166,643)
NOTE - FACTOR OUT DEPRECIATION - NET BUDGET IS			8,470	109,357

CATHOLIC CEMETERIES, INC.
PROPOSED BUDGET FOR YEAR 2002-2003

ENDOWED CARE FUND

<u>ACCT.</u>	<u>INCOME ACCOUNTS</u>	<u>FY 2001-2002</u>	<u>6 MOS 2001-2002</u>	<u>FY 2002-2003</u>
ANTICIPATED REVENUE FOR ENDOWED CARE				
10%	Lot Sales - C	\$ 4,000	\$ 2,354	\$ 5,000
10%	- Lot Sales - AS	25,429	14,475	30,000
10%	- Mausoleum Sales - C	49,429	16,900	40,000
10%	- Mausoleum Sales - AS	21,850	4,471	21,286
10%	- Foundation Sales - C	1,964	1,085	2,111
10%	- Foundation Sales - AS	6,000	3,145	6,444
TOTAL A -				
ENDOWED CARE FUND		\$ 108,672	\$ 42,430	\$ 104,841

REPORT ON DISBURSEMENTS TO ENDOWED CARE FUND

Current Balance in Endowed Care Savings Account	\$ 15,000	\$ 15,723	\$ 15,000
Anticipated Revenue for Endowed Care Fund	108,672	42,430	104,841
Anticipated Transfer to Endowed Care Portfolio (Diocese)	(100,000)	(50,000)	(100,000)
Projected Balance in Endowed Care Savings Account	\$ 23,672	\$ 8,153	\$ 19,841

CATHOLIC CEMETERIES, INC.
PROPOSED BUDGET FOR YEAR 2002-2003

DEVELOPMENT/CAPITAL IMPROVEMENTS

ACCT.	INCOME ACCOUNTS	FY 2001-2002	6 MOS 2001-2002	FY 2002-2003
-------	-----------------	--------------	-----------------	--------------

ANTICIPATED REVENUE FOR DEVELOPMENT/CAPITAL IMPROVEMENTS

20%	Mausoleum Sales - C	\$ 98,857	\$ 33,800	\$ 80,000
20%	- Mausoleum Sales - AS	43,700	8,942	43,720
20%	- Lot Sales - C	8,000	4,709	10,000
20%	- Lot Sales - AS	50,858	28,948	60,000
TOTAL A	-			
CAPITAL IMPROVEMENT RESERVES		\$ 201,415	\$ 76,399	\$ 193,720

CAPITAL EXPENDITURES

100044/45	Furniture & Fixtures	\$ 10,000	1,369	10,000
100416-**	New Equipment	50,000	2,048	50,000
100413/14	Road Replacement & Resurfacing	30,000	0	30,000
100420-**	Land Development-New Cemetery	150,000	31,787	840,000
100430-01	Misc. Capital Improvements (C)	20,000	19,950	25,000
100412-01	Exit Road - Cathedral	20,000	0	20,000
category	Improvements to Ball Run Drainage	100,000	0	190,000
		\$ 380,000	\$ 55,154	\$ 1,165,000
TOTAL CAPITAL EXPENDITURES		\$ 380,000	\$ 55,154	\$ 1,165,000

REPORT ON DEVELOPMENT/CAPITAL IMPROVEMENT FUND

Opening Balances:

WSFS	\$ 4,986	6,423	6,475
PNC	0	1,500	1,500
Artisans' Bank	108,901	62,751	40,000
Total Opening Balance	\$ 113,887	\$ 70,674	\$ 47,975
Anticipated Revenue from Sales	201,415	76,399	193,720
Net Operating Revenue/Deficit	(171,787)	(124,817)	(166,643)
Depreciation	244,000	133,287	276,000
Total Available for Capital Expenditures	\$ 387,515	\$ 155,543	\$ 351,052
Withdrawal from Development Fund for New Cem.	0	0	840,000
Anticipated Expenditures (see detail above)	(380,000)	(55,154)	(1,165,000)
TOTAL BALANCE - DEVELOPMENT/ CAPITAL EXPENDITURE FUND	\$ 7,515	\$ 100,389	\$ 26,052

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

Entity: Catholic Diocese Foundation

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 six years ending June 30, 2003

Catholic Diocese Foundation
Financial Statements and Supplemental Schedules
For the Years Ended June 30, 2002 and 2001

Catholic Diocese Foundation
Table of Contents
June 30, 2002 and 2001

	Page(s)
Report of Independent Accountants	1 - 2
Financial Statements:	
Balance Sheets	3 - 4
Statements of Activities and Changes in Net Assets	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 11
Supplemental Schedules:	
Schedules of Grants Payable	12 - 13

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, 2002 and 2001 and the related statements of activities and changes in net assets 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 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.

The Foundation 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, 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. The effects of not complying with SFAS 93 and of not capitalizing equipment are not reasonably determinable.

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 the Foundation 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.

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, 2002 and 2001 are presented for purposes of additional analysis and are 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.

Price Waterhouse Coopers LLP

September 27, 2002

Catholic Diocese Foundation
Balance Sheets
As of June 30, 2002 and 2001

Assets	2002							2001	
	Unrestricted			Total	Restricted			Total	Total
	General	Designated	Special		France	Grimes	Total		
Cash and cash equivalents	\$ 701,015	\$ -	\$ -	\$ 701,015	\$ -	\$ -	\$ -	\$ 701,015	\$ 665,104
Pooled investments	37,876,223	(361,357)	7,007,995	44,522,861	25,000	509,982	534,982	45,057,843	50,695,519
Notes receivable	447,198	412,498		859,696				859,696	922,985
Real estate	7,752,134			7,752,134				7,752,134	7,460,752
Total assets	\$ 46,776,570	\$ 51,141	\$ 7,007,995	\$ 53,835,706	\$ 25,000	\$ 509,982	\$ 534,982	\$ 54,370,688	\$ 59,744,360
Liabilities and Net Assets									
Accrued expenses & Other	\$ 70,000	\$ -	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ 70,000	\$ 20,000
Grants payable	425,000			425,000				425,000	505,000
Total liabilities	495,000			495,000				495,000	525,000
Net assets:									
Unrestricted - general	46,281,570			46,281,570				46,281,570	51,004,682
Unrestricted - designated		51,141	7,007,995	7,059,136				7,059,136	7,626,149
Temporarily restricted				-	-	359,184	359,184	359,184	412,731
Permanently restricted				-	25,000	150,798	175,798	175,798	175,798
Total net assets	46,281,570	51,141	7,007,995	53,340,706	25,000	509,982	534,982	53,875,688	59,219,360
Total liabilities and net assets	\$ 46,776,570	\$ 51,141	\$ 7,007,995	\$ 53,835,706	\$ 25,000	\$ 509,982	\$ 534,982	\$ 54,370,688	\$ 59,744,360

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

Catholic Diocese Foundation
Balance Sheets
As of June 30, 2001

Assets	2001							
	Unrestricted				Restricted			
	General	Designated		Total	France	Grimes	Total	Total
Development		Special						
Cash and cash equivalents	\$ 665,104	\$ -	\$ -	\$ 665,104	\$ -	\$ -	\$ -	\$ 665,104
Pooled investments	42,665,006	(374,749)	7,816,733	50,106,990	38,421	550,108	588,529	50,695,519
Notes receivable	488,820	434,165	-	922,985	-	-	-	922,985
Real estate	7,460,752	-	-	7,460,752	-	-	-	7,460,752
Total assets	\$ 51,279,682	\$ 59,416	\$ 7,816,733	\$ 59,155,831	\$ 38,421	\$ 550,108	\$ 588,529	\$ 59,744,360
Liabilities and Net Assets								
Accrued expenses	20,000	-	-	20,000	-	-	-	20,000
Grants payable	255,000	-	250,000	505,000	-	-	-	505,000
Total liabilities	275,000	-	250,000	525,000	-	-	-	525,000
Net assets:								
Unrestricted - general	51,004,682	-	-	51,004,682	-	-	-	51,004,682
Unrestricted - designated	-	59,416	7,566,733	7,626,149	-	-	-	7,626,149
Temporarily restricted	-	-	-	-	13,421	399,310	412,731	412,731
Permanently restricted	-	-	-	-	25,000	150,798	175,798	175,798
Total net assets	51,004,682	59,416	7,566,733	58,630,831	38,421	550,108	588,529	59,219,360
Total liabilities and net assets	\$ 51,279,682	\$ 59,416	\$ 7,816,733	\$ 59,155,831	\$ 38,421	\$ 550,108	\$ 588,529	\$ 59,744,360

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

Catholic Diocese Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2002

	Unrestricted				Temporarily Restricted			Permanently Restricted			
	General	Designated		Total	France	Grimes	Total	France	Grimes	Total	Total
		Development	Special								
Revenue:											
Pooled investment income (loss)	\$ (3,067,142)	\$ (18,250)	\$ (558,738)	\$ (3,644,130)	\$ (3,261)	\$ (40,126)	\$ (43,387)	\$ -	\$ -	\$ -	\$ (3,687,517)
Other investment income	16,448	9,975	-	26,423	-	-	-	-	-	-	26,423
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	-
Rental income	20,605	-	-	20,605	-	-	-	-	-	-	20,605
Other income	103,432	-	-	103,432	-	-	-	-	-	-	103,432
Net assets released from restrictions	10,160	-	-	10,160	(10,160)	-	(10,160)	-	-	-	-
Total revenue	(2,916,497)	(8,275)	(558,738)	(3,483,510)	(13,421)	(40,126)	(53,547)	-	-	-	(3,537,057)
Expenses:											
Program services:											
Grants - parishes	1,112,000	-	-	1,112,000	-	-	-	-	-	-	1,112,000
Grants - Diocesan agencies	225,000	-	-	225,000	-	-	-	-	-	-	225,000
Grants - non-Diocesan agencies	318,000	-	-	318,000	-	-	-	-	-	-	318,000
Total program services	1,655,000	-	-	1,655,000	-	-	-	-	-	-	1,655,000
Supporting services:											
Accounting and administration	27,275	-	-	27,275	-	-	-	-	-	-	27,275
Professional fees	20,731	-	-	20,731	-	-	-	-	-	-	20,731
Mass stipends	240	-	-	240	-	-	-	-	-	-	240
Real estate holding costs	103,369	-	-	103,369	-	-	-	-	-	-	103,369
Total supporting services	151,615	-	-	151,615	-	-	-	-	-	-	151,615
Total expenses	1,806,615	-	-	1,806,615	-	-	-	-	-	-	1,806,615
Changes in net assets	(4,723,112)	(8,275)	(558,738)	(5,290,125)	(13,421)	(40,126)	(53,547)	-	-	-	(5,343,672)
Net assets at beginning of year	51,004,682	59,416	7,566,733	58,630,831	13,421	399,310	412,731	25,000	150,798	175,798	59,219,360
Net assets at end of year	\$46,281,570	\$ 51,141	\$7,007,995	\$53,340,706	\$ -	\$359,184	\$359,184	\$25,000	\$150,798	\$175,798	\$53,875,688

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

Catholic Diocese Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2001

	Unrestricted				Temporarily Restricted			Permanently Restricted			Total
	General	Designated		Total	France	Grimes	Total	France	Grimes	Total	
		Development	Special								
Revenue:											
Pooled investment income (loss)	\$ (1,241,261)	\$ (23,548)	\$ (211,481)	\$ (1,476,290)	\$ (1,049)	\$ (15,408)	\$ (16,457)	\$ -	\$ -	\$ -	\$ (1,492,747)
Other investment income	35,905	5,250	-	41,155	-	-	-	-	-	-	41,155
Gain on sale of assets	140,631	-	-	140,631	-	-	-	-	-	-	140,631
Rental income	10,430	-	-	10,430	-	-	-	-	-	-	10,430
Other income	4,151	-	-	4,151	-	-	-	-	-	-	4,151
Net assets released from restrictions	1,584	-	-	1,584	(1,584)	-	(1,584)	-	-	-	-
Total revenue	(1,048,560)	(18,298)	(211,481)	(1,278,339)	(2,633)	(15,408)	(18,041)	-	-	-	(1,296,380)
Expenses:											
Program services:											
Grants - parishes	626,400	-	-	626,400	-	-	-	-	-	-	626,400
Grants - Diocesan agencies	1,338,202	-	-	1,338,202	-	-	-	-	-	-	1,338,202
Grants - non-Diocesan agencies	251,800	-	750,000	1,001,800	-	-	-	-	-	-	1,001,800
Total program services	2,216,402	-	750,000	2,966,402	-	-	-	-	-	-	2,966,402
Supporting services:											
Accounting and administration	14,368	-	-	14,368	-	-	-	-	-	-	14,368
Professional fees	26,881	-	-	26,881	-	-	-	-	-	-	26,881
Mass stipends	900	-	-	900	-	-	-	-	-	-	900
Real estate holding costs	183,205	-	-	183,205	-	-	-	-	-	-	183,205
Total supporting services	225,354	-	-	225,354	-	-	-	-	-	-	225,354
Total expenses	2,441,756	-	750,000	3,191,756	-	-	-	-	-	-	3,191,756
Changes in net assets	(3,490,316)	(18,298)	(961,481)	(4,470,095)	(2,633)	(15,408)	(18,041)	-	-	-	(4,488,136)
Net assets at beginning of year	54,494,998	77,714	8,528,214	63,100,926	16,054	414,718	430,772	25,000	150,798	175,798	63,707,496
Net assets at end of year	\$ 51,004,682	\$ 59,416	\$ 7,566,733	\$ 58,630,831	\$ 13,421	\$ 399,310	\$ 412,731	\$ 25,000	\$ 150,798	\$ 175,798	\$ 59,219,360

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

Catholic Diocese Foundation
Statements of Cash Flows
For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Changes in net assets	\$(5,343,672)	\$(4,488,136)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net depreciation on pooled investments	4,478,291	2,567,278
Gain on sale of real estate	-	(140,631)
Land grant	-	1,073,092
Changes in assets and liabilities:		
Accrued expenses	50,000	(4,418)
Grants payable	(80,000)	(251,365)
Net cash used in operating activities	<u>(895,381)</u>	<u>(1,244,180)</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments	1,950,159	2,489,575
Reinvestment of interest and dividends into pooled investments	(790,774)	(1,074,531)
Proceeds from sale of real estate	-	165,018
Purchase of real estate	(291,382)	(706,566)
Issuance of notes receivable	-	(25,000)
Repayments of notes receivable	63,289	51,207
Net cash provided by investing activities	<u>931,292</u>	<u>899,703</u>
Net increase/(decrease) in cash	35,911	(344,477)
Cash and cash equivalents at beginning of year	665,104	1,009,581
Cash and cash equivalents at end of year	<u>\$ 701,015</u>	<u>\$ 665,104</u>

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

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2002 and 2001

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 becoming established, aids in their expansion, and funds programs of education and charity. Generally, 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

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.

Unrestricted funds have been designated to the Development and special funds to be used for the development of new ministries and facilities and as a reserve fund, respectively.

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 of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements 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.

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2002 and 2001

Pooled Investments

Pooled investments are stated at fair value. Pooled investment income on the statements of activities includes interest, dividends, and 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 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.

Notes Receivable

Balances include receivables to be repaid by parishes at the Bishop's discretion as well as receivables with definitive repayment terms. Certain notes receivable maintained by the Foundation in fiscal years 2002 and 2001 were non-interest bearing.

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. Also, equipment is expensed at the time of purchase that should be capitalized in order to conform to generally accepted accounting principles. The effects of not complying with SFAS 93 and of not capitalizing equipment are not reasonably determinable.

Grants Payable

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

2. Pooled Investments

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

	2002	2001
Cash and cash equivalents	\$ (443,303)	\$ (470,584)
Fixed income	13,704,966	14,779,685
Domestic equity	24,628,947	29,049,726
International equity	7,167,233	7,336,692
Total pooled investments	<u>\$45,057,843</u>	<u>\$50,695,519</u>

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

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2002 and 2001

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

	2002	2001
Interest and dividends	\$ 790,774	\$ 1,074,531
Net depreciation	(4,478,291)	(2,567,278)
Pooled investment loss	<u>\$ (3,687,517)</u>	<u>\$ (1,492,747)</u>

The pooled investment loss was net of custodial and advisory fees in the amounts of \$331,315 and \$336,699 for the years ended June 30, 2002 and 2001, respectively.

3. Notes Receivable

Notes receivable at June 30, 2002 and 2001 were as follows:

	2002	2001
The following receivables, principally land grants, are to be repaid at the Bishop's discretion and are non-interest bearing:		
St. Margaret Scotland	\$ 28,000	\$ 28,000
The following receivables have payment terms as stated below:		
St. Catherine of Siena (construction) - payable in 16 semiannual installments of \$6,250 beginning in June 1995, non-interest bearing	6,250	25,000
St. Joseph on the Brandywine (Cemetery) - interest is 3% for 10 years, due October 1. Principal payments should begin October 1, 2004 in the amount of \$25,000 per year	125,000	125,000
St. Luke's and St. Andrew's (building acquisition) - payable in 180 monthly payments of \$1,906 with 6% interest, beginning September 1998	262,948	285,820
St. Patrick (parking lot) - payable in 15 annual installments of \$10,000 beginning in December 1994, non-interest bearing	55,000	65,000
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%	157,498	169,165
St. Elizabeth Ann Seton (capital improvements) - payable in 10 annual installments of \$20,000, beginning July 2004, non-interest bearing	200,000	200,000
St. Patrick (capital improvement) - due November 2003, non-interest bearing	25,000	25,000
Total notes receivable	<u>\$ 859,696</u>	<u>\$ 922,985</u>

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2002 and 2001

4. Rental Income

The Foundation has rental agreements 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, 2002 and 2001 was \$20,605 and \$10,430, respectively.

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, 2002 and 2001 was \$2,136 and \$2,052, 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, 2002 and 2001 was \$10,623 and \$10,207, respectively, and is included as accounting and administrative expenses in the statements of activities.

The Foundation awarded grants to the following related organizations:

	2002	2001
Parishes	\$ 1,112,000	\$ 626,400
Catholic Diocese of Wilmington, Inc.	175,000	185,110
St. Mark's High School	50,000	80,000
St. Francis Hospital	25,000	750,000

In 2001, the Foundation awarded a land grant at book value to Diocese of Wilmington Schools, Inc. for \$1,073,092.

Grants payable to related parties as of June 30, 2002 and 2001 amounted to \$425,000 and \$505,000, respectively.

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. 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, 2002

	Purpose	Payable
Diocese of Wilmington	Deacon's Formation	\$ 100,000
Diocese of Wilmington	Bishop's Discretionary	25,000
Diocese of Wilmington	Legal fees	50,000
St. John's/Holy Angels	Capital Improvements	200,000
St. Mark's High School	Capital Improvements	50,000
		<hr/>
		\$425,000
		<hr/>

Catholic Diocese Foundation
Supplemental Schedule of Grants Payable
As of June 30, 2001

	Purpose	Payable
Diocese of Wilmington	Deacon's Formation	\$ 100,000
Diocese of Wilmington	Bishop's Discretionary	25,000
Diocese of Wilmington	Legal fees	50,000
St. Mark's High School	Capital Improvements and Car	80,000
		<hr/>
		\$ 255,000
		<hr/>
St. Francis Hospital	Capital campaign	\$ 250,000
		<hr/>

Catholic Diocese Foundation

**Financial Statements and
Supplemental Schedules
for the Years Ended
June 30, 2000 and 1999**

Catholic Diocese Foundation
Table of Contents
June 30, 2000 and 1999

	Page(s)
Report of Independent Accountants	1 - 2
Financial Statements:	
Balance Sheets	3 - 4
Statements of Activities and Changes in Net Assets	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12
Supplemental Schedules:	
Schedules of Grants Payable	13 - 14

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, 2000 and 1999 and the related statements of activities and changes in net assets 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes accessing 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. Also, 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. The effects of not complying with SFAS 93 and of not capitalizing equipment are not reasonably determinable.

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 the Foundation as of 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.

To the Board of Directors
Catholic Diocese Foundation
Wilmington, Delaware
(Page 2)

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, 2000 and 1999 are presented for purposes of additional analysis and are 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

October 6, 2000

Catholic Diocese Foundation
Balance Sheets
As of June 30, 2000 and 1999

Assets	2000							1999	
	Unrestricted			Total	Restricted			Total	Total
	General	Development	Special		France	Grimes	Total		
Cash	\$ 1,009,581	\$ -	\$ -	\$ 1,009,581	\$ -	\$ -	\$ -	\$ 1,009,581	\$ 346,682
Pooled investments	45,915,343	(372,286)	8,528,214	54,071,271	41,054	565,516	606,570	54,677,841	50,341,496
Notes receivable	499,192	450,000	-	949,192	-	-	-	949,192	2,233,533
Real estate	7,851,665	-	-	7,851,665	-	-	-	7,851,665	7,997,784
Total assets	\$ 55,275,781	\$ 77,714	\$ 8,528,214	\$ 63,881,709	\$ 41,054	\$ 565,516	\$ 606,570	\$ 64,488,279	\$ 60,919,495
Liabilities and Net Assets									
Accrued expenses	24,418	-	-	24,418	-	-	-	24,418	18,000
Grants payable	756,365	-	-	756,365	-	-	-	756,365	828,315
Total liabilities	780,783	-	-	780,783	-	-	-	780,783	846,315
Net assets:									
Unrestricted - general	54,494,998	-	-	54,494,998	-	-	-	54,494,998	51,835,238
Unrestricted - designated	-	77,714	8,528,214	8,605,928	-	-	-	8,605,928	7,701,813
Temporarily restricted	-	-	-	-	16,054	414,718	430,772	430,772	360,331
Permanently restricted	-	-	-	-	25,000	150,798	175,798	175,798	175,798
Total net assets	54,494,998	77,714	8,528,214	63,100,926	41,054	565,516	606,570	63,707,496	60,073,180
Total liabilities and net assets	\$ 55,275,781	\$ 77,714	\$ 8,528,214	\$ 63,881,709	\$ 41,054	\$ 565,516	\$ 606,570	\$ 64,488,279	\$ 60,919,495

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

Catholic Diocese Foundation
Balance Sheets
As of June 30, 1999

Assets	1999							
	General	Unrestricted		Total	Restricted			Total
		Development	Special		France	Grimes	Total	
Cash	\$ 346,682	\$ -	\$ -	\$ 346,682	\$ -	\$ -	\$ -	\$ 346,682
Pooled investments	42,411,203	(369,022)	7,763,186	49,805,367	36,304	499,825	536,129	50,341,496
Notes receivable	1,692,026	541,507	-	2,233,533	-	-	-	2,233,533
Real estate	7,997,784	-	-	7,997,784	-	-	-	7,997,784
Due to/from Special Fund	225,000	-	(225,000)	-	-	-	-	-
Total assets	\$ 52,672,695	\$ 172,485	\$ 7,538,186	\$ 60,383,366	\$ 36,304	\$ 499,825	\$ 536,129	\$ 60,919,495
4 Liabilities and Net Assets								
Accrued expenses	18,000	-	-	18,000	-	-	-	18,000
Grants payable	819,457	8,858	-	828,315	-	-	-	828,315
Total liabilities	837,457	8,858	-	846,315	-	-	-	846,315
Net assets:								
Unrestricted - general	51,835,238	-	-	51,835,238	-	-	-	51,835,238
Unrestricted - designated	-	163,627	7,538,186	7,701,813	-	-	-	7,701,813
Temporarily restricted	-	-	-	-	11,304	349,027	360,331	360,331
Permanently restricted	-	-	-	-	25,000	150,798	175,798	175,798
Total net assets	51,835,238	163,627	7,538,186	59,537,051	36,304	499,825	536,129	60,073,180
Total liabilities and net assets	\$ 52,672,695	\$ 172,485	\$ 7,538,186	\$ 60,383,366	\$ 36,304	\$ 499,825	\$ 536,129	\$ 60,919,495

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

Catholic Diocese Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2000

	Unrestricted				Temporarily Restricted			Permanently Restricted			Total
	General	Designated		Total	France	Grimes	Total	France	Grimes	Total	
		Development	Special								
Revenue:											
Pooled investment income	\$ 5,536,073	\$ (12,870)	\$ 990,028	\$ 6,513,231	\$ 4,750	\$ 65,691	\$ 70,441	\$ -	\$ -	\$ -	\$ 6,583,672
Other investment income	24,253	5,249	-	29,502	-	-	-	-	-	-	29,502
Gain on sale of assets	14,047	-	-	14,047	-	-	-	-	-	-	14,047
Rental income	70,040	-	-	70,040	-	-	-	-	-	-	70,040
Other income	9,540	-	-	9,540	-	-	-	-	-	-	9,540
Total revenue	5,653,953	(7,621)	990,028	6,636,360	4,750	65,691	70,441	-	-	-	6,706,801
Expenses:											
Program services:											
Grants - parishes	1,252,138	-	-	1,252,138	-	-	-	-	-	-	1,252,138
Grants - Diocesan agencies	296,365	-	-	296,365	-	-	-	-	-	-	296,365
Grants - non-Diocesan agencies	111,668	-	-	111,668	-	-	-	-	-	-	111,668
Total program services	1,660,171	-	-	1,660,171	-	-	-	-	-	-	1,660,171
Supporting services:											
Accounting and administration	12,948	-	-	12,948	-	-	-	-	-	-	12,948
Professional fees	23,794	-	-	23,794	-	-	-	-	-	-	23,794
Mass stipends	940	-	-	940	-	-	-	-	-	-	940
Real estate holding costs	111,178	-	-	111,178	-	-	-	-	-	-	111,178
Total supporting services	148,860	-	-	148,860	-	-	-	-	-	-	148,860
Total expenses	1,809,031	-	-	1,809,031	-	-	-	-	-	-	1,809,031
Changes in net assets before transfer	3,844,922	(7,621)	990,028	4,827,329	4,750	65,691	70,441	-	-	-	4,897,770
Equity transfer - debt forgiveness	(1,185,162)	(78,292)	-	(1,263,454)	-	-	-	-	-	-	(1,263,454)
Changes in net assets after transfer	2,659,760	(85,913)	990,028	3,563,875	4,750	65,691	70,441	-	-	-	3,634,316
Net assets at beginning of year	51,835,238	163,627	7,538,186	59,537,051	11,304	349,027	360,331	25,000	150,798	175,798	60,073,180
Net assets at end of year	\$54,494,998	\$ 77,714	\$8,528,214	\$63,100,926	\$16,054	\$ 414,718	\$ 430,772	\$25,000	\$ 150,798	\$175,798	\$63,707,496

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

Catholic Diocese Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 1999

	Unrestricted				Temporarily Restricted			Permanently Restricted			Total
	General	Designated		Total	France	Grimes	Total	France	Grimes	Total	
		Development	Special								
Revenue:											
Pooled investment income	\$ 3,177,035	\$ (15,980)	\$ 523,874	\$ 3,684,929	\$ 2,548	\$ 33,392	\$ 35,940	\$ -	\$ -	\$ -	\$ 3,720,869
Other investment income	14,416	9,768	-	24,184	-	-	-	-	-	-	24,184
Contributions	24,218	-	-	24,218	-	-	-	-	-	-	24,218
Rental income	6,550	-	-	6,550	-	-	-	-	-	-	6,550
Other income	-	-	75,000	75,000	-	-	-	-	-	-	75,000
Total revenue	3,222,219	(6,212)	598,874	3,814,881	2,548	33,392	35,940	-	-	-	3,850,821
Expenses:											
Program services:											
Grants - parishes	791,653	-	228,300	1,019,953	-	-	-	-	-	-	1,019,953
Grants - Diocesan agencies	436,004	-	-	436,004	-	-	-	-	-	-	436,004
Grants - non-Diocesan agencies	291,250	-	-	291,250	-	-	-	-	-	-	291,250
Total program services	1,518,907	-	228,300	1,747,207	-	-	-	-	-	-	1,747,207
Supporting services:											
Accounting and administration	14,083	-	-	14,083	-	-	-	-	-	-	14,083
Professional fees	19,343	-	-	19,343	-	-	-	-	-	-	19,343
Mass stipends	1,060	-	-	1,060	-	-	-	-	-	-	1,060
Real estate holding costs	120,119	-	-	120,119	-	-	-	-	-	-	120,119
Total supporting services	154,605	-	-	154,605	-	-	-	-	-	-	154,605
Total expenses	1,673,512	-	228,300	1,901,812	-	-	-	-	-	-	1,901,812
Changes in net assets	1,548,707	(6,212)	370,574	1,913,069	2,548	33,392	35,940	-	-	-	1,949,009
Net assets at beginning of year	50,286,531	169,839	7,167,612	57,623,982	8,756	315,635	324,391	25,000	150,798	175,798	58,124,171
Net assets at end of year	\$ 51,835,238	\$ 163,627	\$ 7,538,186	\$ 59,537,051	\$ 11,304	\$ 349,027	\$ 360,331	\$ 25,000	\$ 150,798	\$ 175,798	\$ 60,073,180

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

Catholic Diocese Foundation
Statements of Cash Flows
For the Years Ended June 30, 2000 and 1999

	2000	1999
Cash flows from operating activities:		
Changes in net assets	\$3,634,316	\$1,949,009
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Forgiveness of notes receivable	1,263,454	-
Net appreciation on pooled investments	(5,664,639)	(2,223,836)
Gain on sale of real estate	(14,047)	-
Changes in assets and liabilities:		
Accrued expenses	6,418	-
Grants payable	(71,950)	(184,255)
Net cash used in operating activities	<u>(846,448)</u>	<u>(459,082)</u>
Cash flows from investing activities:		
Amounts drawn from pooled investments	2,247,327	5,803,532
Reinvestment of interest and dividends into pooled investments	(919,033)	(1,497,033)
Proceeds from sale of real estate	167,166	-
Purchase of real estate	(7,000)	(3,875,517)
Issuance of notes receivable	(28,000)	(399,345)
Repayments of notes receivable	48,887	44,918
Net cash provided by investing activities	<u>1,509,347</u>	<u>76,555</u>
Net increase/(decrease) in cash	662,899	(382,527)
Cash at beginning of year	346,682	729,209
Cash at end of year	<u>\$1,009,581</u>	<u>\$ 346,682</u>

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

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2000 and 1999

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 becoming 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. *Catholic*

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.

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 statements 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 statements of activities includes interest, dividends, and realized and unrealized gains and losses, net of consulting and custodial costs.

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2000 and 1999

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 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.

Notes Receivable

Balances include receivables to be repaid by parishes at the Bishop's discretion as well as receivables with definitive repayment terms. Certain notes receivable maintained by the Foundation in 1999 were non-interest bearing. In 2000, these notes receivable were forgiven.

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. Also, equipment is expensed at the time of purchase that, in our opinion, should be capitalized in order to conform to generally accepted accounting principles. The effects of not complying with SFAS 93 and of not capitalizing equipment are 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, 2000 and 1999 was as follows:

	2000	1999	
Cash and cash equivalents	\$ (464,424)	\$ (336,504)	
Fixed income	17,086,294	14,205,063	31 07
Domestic equity	29,118,943	29,147,131	55
International equity	8,937,028	7,325,806	16 90
	<u>8,937,028</u>	<u>7,325,806</u>	
Total pooled investments	<u>\$54,677,841</u>	<u>\$50,341,496</u>	

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

Catholic Diocese Foundation
Notes to Financial Statements
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	\$ 919,033	\$1,497,033
Net appreciation	<u>5,664,639</u>	<u>2,223,836</u>
Pooled investment income	<u>\$6,583,672</u>	<u>\$3,720,869</u>

The pooled investment income was net of custodial and advisory fees in the amounts of \$365,231 and \$254,275 for the years ended June 30, 2000 and 1999, respectively.

3. Notes Receivable

Notes receivable at June 30, 2000 and 1999 were as follows:

	2000	1999
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
Holy Family	-	6,800
Resurrection Parish	-	50,000
St. Catherine of Siena	-	100,000
St. Dennis	-	69,400
St. Michael the Archangel	-	71,256
St. Elizabeth Ann Seton	-	181,500
St. Joseph, Middletown	-	112,710
St. Luke's and St. Andrew's	-	259,900
St. Luke's and St. Andrew's	-	71,251
St. Matthew	-	35,000
St. Polycarp	-	20,000
St. Margaret Scotland	<u>\$28,000</u>	<u>-</u>
	<u>28,000</u>	<u>1,035,817</u>

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2000 and 1999

	2000	1999
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
St. Catherine of Siena (construction) - payable in 16 semiannual installments of \$6,250 beginning in June 1995, non-interest bearing	\$ 37,500	50,000
St. Joseph on the Brandywine (Cemetery) - interest is 3% for 10 years, due October 1. Principal payments should begin October 1, 2004 in the amount of \$25,000 per year	125,000	125,000
St. Luke's and St. Andrew's (building acquisition) - payable in 180 monthly payments of \$1,906 with 6% interest, beginning September 1998	308,692	331,864
St. Francis de Sales (property acquisition) - 3% interest only payments of \$2,230 due March, 10 year semiannual principal payments of \$3,829 beginning March 2002	-	74,345
St. Patrick (parking lot) - payable in 15 annual installments of \$10,000 beginning in December 1994, non-interest bearing	75,000	100,000
Immaculate Conception, Marydale (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	-	66,507
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
St. Elizabeth Ann Seton (capital improvements) - payable in 10 annual installments of \$20,000, beginning July 2004, non-interest bearing	200,000	200,000
	<u>921,192</u>	<u>1,197,716</u>
Total notes receivable	<u>\$ 949,192</u>	<u>\$ 2,233,533</u>

During the year ended June 30, 2000, \$1,263,454 of notes receivable were forgiven.

Catholic Diocese Foundation
Notes to Financial Statements
June 30, 2000 and 1999

4. Rental Income

The Foundation has rental agreements 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, 2000 and 1999 was \$70,000 and \$6,550, respectively.

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, 2000 and 1999 was \$1,956 and \$1,872, 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, 2000 and 1999 was \$9,671 and \$11,776, respectively, and is included as accounting and administrative expenses in the statements of activities.

The Foundation awarded grants to the following related organizations:

	2000	1999
Parishes	\$1,252,138	\$1,019,953
Catholic Diocese of Wilmington, Inc.	218,365	319,476
St. Mark's High School, Inc.	78,000	63,000

Grants payable to related parties as of June 30, 2000 and 1999 amounted to \$756,365 and \$828,315, 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. 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.

Catholic Diocese Foundation
Supplemental Schedule of Grants Payable
As of June 30, 2000

	Purpose	Payable
Diocese of Wilmington	School's technology person	\$ 45,000
Diocese of Wilmington	Deacon's Office Budget	98,365
Diocese of Wilmington	Bishop's Discretionary	25,000
Diocese of Wilmington	Legal fees	50,000
Holy Name of Jesus	Capital Improvements	50,000
St. Mark's High School	Capital Improvements and Car	78,000
Christ Our King School	Operating budget	185,000
St. Paul's School	Operating budget	225,000
		<u>\$ 756,365</u>

Catholic Diocese Foundation
Supplemental Schedule of Grants Payable
As of June 30, 1999

	Purpose	Payable
St. Mark's High School	Computer equipment for library and classroom	\$ 60,000
St. Helena School	Build new school entrance	60,000
Diocese of Wilmington	Bishop's discretionary	20,000
Diocese of Wilmington	Legal fees	50,000
Diocese of Wilmington	School's technology person	45,000
Diocese of Wilmington	Deacon formation	95,257
St. Mark's High School	Nun's car/second floor hallway renovation	63,000
St. Paul's School	Operating budget	225,000
Christ Our King School	Operating budget	150,000
Diocese of Wilmington	Religious education cooperative	26,000
Diocese of Wilmington	Lay ministry/collaborative summits	25,200
Children's Home	Capital improvements	8,858
		<u>\$828,315</u>