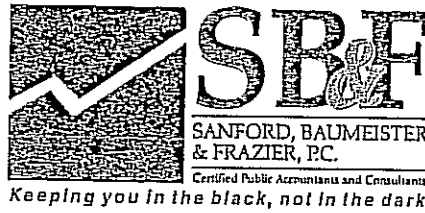


ALL CHURCH HOME FOR CHILDREN, INC.

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004



Members:  
American Institute of CPAs  
Texas Society of CPAs  
Fort Worth Chapter of CPAs

April 13, 2005  
The Board of Directors  
All Church Home For Children, Inc.  
Fort Worth, Texas

SEC Practice Section

Independent Auditors' Report

Experienced with  
a wide variety of  
industries including:  
Oil & gas

We have audited the accompanying statement of financial position of All Church Home for Children, Inc. (the "Home") as of December 31, 2004, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Home's 2003 financial statements and, in our report dated February 27, 2004, we expressed an unqualified opinion on those statements.

Home builders

Retail

Manufacturing

Health Care

Contractors

Financial institutions

Law firms

Insurance agencies

Real estate investors &  
developers

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides a reasonable basis for our opinion.

Closely held businesses

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All Church Home for Children, Inc. as of December 31, 2004, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Nonprofit organizations

*Sanford, Baumeister & Frazier, P.C.*

The services you  
need to prosper:  
Management consulting

SANFORD, BAUMEISTER & FRAZIER, P.C.

Year-round tax planning

Business & individual  
tax preparation

Audits

Financial reporting

IRS representation

Business valuation

Employee benefit plans

Retirement & estate  
planning

Revenue distribution

Joint interest billings

Bookkeeping

ALL CHURCH HOME FOR CHILDREN, INC.  
 STATEMENT OF FINANCIAL POSITION  
 DECEMBER 31, 2004  
 WITH COMPARATIVE TOTALS FOR 2003

ASSETS

<u>ASSETS</u>	2004	2003
Cash and cash equivalents	\$ 704,102	\$ 202,579
Accounts receivable	113,504	31,069
Accrued interest receivable	253,947	262,227
Prepaid expenses	107,306	99,302
Contributions receivable	284,931	-
Marketable investment securities	47,168,227	46,354,675
Beneficial interest in trust	5,836,020	5,377,084
Other investments	2,732,865	2,432,865
Property and equipment, net	1,531,880	1,472,221
<b><u>TOTAL ASSETS</u></b>	<b>\$ 58,732,782</b>	<b>\$ 56,232,022</b>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 207,940	\$ 35,780
<b>Total Liabilities</b>	<b>207,940</b>	<b>35,780</b>
<u>NET ASSETS</u>		
Unrestricted	57,430,302	55,663,317
Temporarily restricted	1,094,540	532,925
<b>Total Net Assets</b>	<b>58,524,842</b>	<b>56,196,242</b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 58,732,782</b>	<b>\$ 56,232,022</b>

The accompanying notes to financial statements  
 are an integral part of these statements.

ALL CHURCH HOME FOR CHILDREN, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004  
WITH COMPARATIVE TOTALS FOR 2003

	Unrestricted	Temporarily Restricted	Totals	
			2004	2003
<b><u>PUBLIC SUPPORT</u></b>				
Contributions	\$ 114,911	\$ 50,672	\$ 165,583	\$ 256,557
Capital campaign contributions		1,003,235	1,003,235	-
Estates and trusts	43,200		43,200	178,200
Special events, net of direct costs of \$65,851	97,247		97,247	89,415
<b>Total Public Support</b>	<b>255,358</b>	<b>1,053,907</b>	<b>1,309,265</b>	<b>524,172</b>
<b><u>REVENUE AND INVESTMENT RETURNS</u></b>				
Program service fees	603,900		603,900	312,283
Other income	1,583		1,583	5,457
Mineral and real estate properties, net of direct expenses of \$66,095	877,395		877,395	803,712
Investment income, net of investment advisory fees of \$317,333	1,122,351		1,122,351	1,101,270
Net realized and unrealized gains on investments	1,764,423		1,764,423	5,896,510
Change in value of beneficial interest in trust assets	809,910		809,910	1,200,010
<b>Total Revenue and Investment Returns</b>	<b>5,179,562</b>	<b>-</b>	<b>5,179,562</b>	<b>9,319,242</b>
<b>Net Assets Released From Restrictions</b>	<b>492,292</b>	<b>(492,292)</b>	<b>-</b>	<b>-</b>
<b>Total Support, Revenue and Investment Returns</b>	<b>5,927,212</b>	<b>561,615</b>	<b>6,488,827</b>	<b>9,843,414</b>
<b><u>EXPENSES</u></b>				
Program services	3,417,592		3,417,592	3,142,638
Fundraising	283,035		283,035	186,573
General and administrative	459,600		459,600	348,645
<b>Total Expenses</b>	<b>4,160,227</b>	<b>-</b>	<b>4,160,227</b>	<b>3,677,856</b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>1,766,985</b>	<b>561,615</b>	<b>2,328,600</b>	<b>6,165,558</b>
<b><u>NET ASSETS</u> - Beginning of Year</b>	<b>55,663,317</b>	<b>532,925</b>	<b>56,196,242</b>	<b>50,030,684</b>
<b><u>NET ASSETS</u> - End of Year</b>	<b>\$ 57,430,302</b>	<b>\$ 1,094,540</b>	<b>\$ 58,524,842</b>	<b>\$ 56,196,242</b>

The accompanying notes to financial statements  
are an integral part of these statements.

ALL CHURCH HOME FOR CHILDREN, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
WITH COMPARATIVE TOTALS FOR 2003

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,328,600	\$ 6,165,558
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(1,764,423)	(5,896,510)
Non-cash change in value of beneficial interest in trust assets	(458,936)	(812,704)
Depreciation	162,362	174,663
Temporarily restricted contributions	(1,053,907)	(167,884)
(Increase) decrease in operating assets:		
Accounts receivable	(82,435)	(13,653)
Accrued interest receivable	8,280	(17,003)
Contributions receivable	(284,931)	-
Prepaid expenses	(8,004)	(53,811)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	172,160	692
Net Cash Used in Operating Activities	(981,234)	(620,652)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(61,903)	(73,697)
Construction in progress	(160,118)	(25,857)
Proceeds from sale of marketable securities	15,519,631	9,229,298
Purchase of marketable securities	(10,568,868)	(9,115,947)
Net (increase) decrease in short-term investment funds	(4,042,905)	529,286
Purchase of other investments	(300,000)	(300,000)
Proceeds from sale of other investments	43,013	45,042
Net Cash Provided by Investing Activities	428,850	288,125
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Temporarily restricted contributions	1,053,907	167,884
Net Cash Provided by Financing Activities	1,053,907	167,884
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	501,523	(164,643)
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	202,579	367,222
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ 704,102	\$ 202,579

The accompanying notes to financial statements are an integral part of these statements.

ALL CHURCH HOME FOR CHILDREN, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2004  
WITH COMPARATIVE TOTALS FOR 2003

	Program Services	Fund Raising	General and Administrative	Totals	
				2004	2003
Salaries and wages	\$ 1,778,019	\$ 72,333	\$ 215,222	\$ 2,065,574	\$ 1,889,400
Payroll taxes and employee benefits	537,596	21,829	64,271	623,696	560,265
<b>Total Personnel Expense</b>	<b>2,315,615</b>	<b>94,162</b>	<b>279,493</b>	<b>2,689,270</b>	<b>2,449,665</b>
Professional fees	70,509	132,000	66,598	269,107	133,251
Investment advisory fees			317,333	317,333	246,914
Foster care programs	186,078			186,078	79,148
Other taxes			66,095	66,095	27,632
Liability insurance	125,415		20,829	146,244	96,095
Utilities	110,047		13,866	123,913	134,182
Telephone	32,033		1,034	33,067	31,358
Occupancy	46,526		1,817	48,343	48,176
Supplies	50,532		3,685	54,217	65,680
Vehicles	58,828		1,377	60,205	58,040
Food	63,107		354	63,461	77,194
Clothing and personal care	14,314			14,314	23,720
Medical care	51,426			51,426	65,072
Youth and activities	46,085		22	46,107	49,283
Family assistance	16,181			16,181	11,590
Educational expenses	6,025		433	6,458	9,172
Development and promotion		122,724		122,724	118,944
Marketing and volunteers			26,983	26,983	-
Human resources	44,992		12,646	57,638	43,486
Board expenses			11,234	11,234	9,729
Dues	18,175		2,603	20,778	25,079
Farm and animal expenses	3,193			3,193	7,331
Miscellaneous	12,385		390	12,775	15,524
<b>Total Expenses Before Depreciation</b>	<b>3,271,466</b>	<b>348,886</b>	<b>826,792</b>	<b>4,447,144</b>	<b>3,826,265</b>
Depreciation of buildings and equipment	146,126		16,236	162,362	174,663
<b>Total Expenses</b>	<b>3,417,592</b>	<b>348,886</b>	<b>843,028</b>	<b>4,609,506</b>	<b>4,000,928</b>
Less: Expenses included with revenues on the statement of activities					
Special event expenses		(65,851)		(65,851)	(48,526)
Mineral and real estate properties			(66,095)	(66,095)	(27,632)
Investment advisory fees			(317,333)	(317,333)	(246,914)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 3,417,592</b>	<b>\$ 283,035</b>	<b>\$ 459,600</b>	<b>\$ 4,160,227</b>	<b>\$ 3,677,856</b>

The accompanying notes to financial statements are an integral part of these statements.

ALL CHURCH HOME FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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NOTE 1 - ORGANIZATION AND OPERATIONS

The All Church Home For Children, Inc. (the "Home") was established in 1915 by the Women's Federation of Churches to receive and manage donations of cash and property, and to distribute resources exclusively for the purpose of caring for dependent and neglected children.

The Home is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. This section exempts the Home from taxes on income. Accordingly, no provision for income taxes has been made in the financial statements. The Internal Revenue Service has classified the Home as a private foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Home is presented to assist in understanding the Home's financial statements. The financial statements and notes are representations of the Home's management who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

FINANCIAL STATEMENT PRESENTATION

The Home follows the guidance in Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Home is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The fund groups are reported in the three classes of net assets as follows:

Unrestricted Net Assets – These funds have no external restrictions and can be used for any purpose designated by the Board.

Temporarily Restricted Net Assets – These funds generally represent funds for which the donor has limited the use of the funds by stipulating how or when the funds are to be used. The restrictions are satisfied either by passage of time or by actions of the Home.

Permanently Restricted Net Assets – These are funds that have been restricted by the donor and cannot be satisfied by the passage of time or by actions of the Home.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. 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.

CASH AND CASH EQUIVALENTS

The Home considers only cash in banks and on hand as cash and cash equivalents. These cash equivalents are financial instruments that potentially subject the Home to concentrations of credit risk. The Home places its cash with high-credit-quality financial institutions and periodically maintains deposits in amounts that exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

ACCOUNTS RECEIVABLE

The Home's accounts receivable consist principally of program service fees from governmental agencies. The Home utilizes the allowance method for recognition of bad debts. As of December 31, 2004, no allowance for doubtful accounts was deemed necessary. Bad debt expense was \$-0- for the year ended December 31, 2004.

ALL CHURCH HOME FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CONTRIBUTIONS RECEIVED AND CONTRIBUTIONS MADE

Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

CONTRIBUTED FACILITIES

The Home utilizes the J. Garland Tillar Memorial Building and the J. Garland Tillar Memorial Recreation Building without charge. The buildings are not carried as assets since the J. Garland Tillar Trust retains ownership.

The Home also has leased ranch land and improvements located near Stephenville, Texas, from Texas Youth Development Corporation for \$10 per year for a three-year period beginning October 29, 1999. The Home has exercised an option to renew this lease annually through 2005 on the same terms.

No amounts related to the above have been reflected in the statement of activity as support or expense because no objective basis is available to measure the value of such use.

PROPERTY AND EQUIPMENT

Expenditures for buildings and equipment in excess of \$500 and having a useful life of one year or more are capitalized and recorded on the Home's books at cost. Donations of significant property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Home reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

Depreciation of buildings and equipment is computed on the straight-line basis over their estimated useful lives. The estimated useful lives range from five to thirty years. Depreciation expense for 2004 amounted to \$162,362 and is shown on the accompanying Statement of Functional Expenses.

INVESTMENTS IN MARKETABLE SECURITIES

The Home follows the guidance in SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Investment income includes interest and dividends, net of investment expenses and is included in the Statement of Activities as increases in unrestricted net assets, unless the donor or law restricts the income or loss. Unrealized gains and losses are included in the change in net assets.

ALL CHURCH HOME FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

OTHER INVESTMENTS

The Home's investments in real estate and mineral interests were acquired by contribution and recorded at the estimated fair market value (cost) at the date of receipt. Accordingly, the mineral interests have been amortized on the basis of cost recovery. These other investments are carried at the lower of amortized cost or market value.

CONCENTRATION OF CREDIT RISK

The Home currently invests primarily in U.S. Government obligations and corporate stocks and bonds. Management believes diversity within the portfolio avoids significant concentration of credit risk with respect to these investments.

DONATED SERVICES

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Home. Volunteers also provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met. During year 2004, \$16,358 of donated medical related services was recognized as contributions in the Statement of Activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program, fund-raising and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

COMPARATIVE DATA

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended December 31, 2003, from which the summarized information was derived.

NOTE 3 - BENEFICIAL INTEREST IN TRUST

The Home has a 50% beneficial interest in a trust. The Home's share of the net assets of the Trust is reflected at estimated fair value. The composition of the Home's share of the net assets of the Trust as of December 31, 2004 is as follows:

Marketable short-term investments	\$ 228,926
Marketable fixed income securities	1,796,335
Marketable equity securities	3,578,096
Real estate and other	<u>232,663</u>
 Total Beneficial Interest in Trust	 <u>\$ 5,836,020</u>

The Home received cash distributions of \$350,974 and recognized an unrealized increase in the value of the trust of \$458,936 during the year ended December 31, 2004 resulting in a net increase in value of beneficial interest in trust assets of \$809,910.

ALL CHURCH HOME FOR CHILDREN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 4 - INVESTMENTS

Investments in marketable equity and debt securities are carried at fair value and are comprised of the following as of December 31, 2004:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
Short-term investment funds	\$ 5,395,783	\$ 5,395,783	\$ -0-
U. S. Government debt securities	3,493,282	3,500,357	(7,075)
Corporate bonds and fixed mutual funds	10,439,565	9,571,600	867,965
Equity securities and equity mutual funds	<u>27,839,597</u>	<u>20,647,852</u>	<u>7,191,745</u>
 Total Marketable Investment Securities	 <u>\$ 47,168,227</u>	 <u>\$ 39,115,592</u>	 <u>\$ 8,052,635</u>

Investments in real estate, mineral and other investments are carried at the lower of cost or fair market value net of accumulated cost recovery and are comprised of the following as of December 31, 2004:

	<u>Fair Value</u>	<u>Cost</u>	<u>Book Value</u>
Real estate and oil and gas mineral interests	\$ 2,085,791	\$ 1,732,865	\$ 1,732,865
Limited partnership investment fund	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
 Total Other Investments	 <u>\$ 3,085,791</u>	 <u>\$ 2,732,865</u>	 <u>\$ 2,732,865</u>

The following schedules summarize the investment returns on all investments, all of which are unrestricted, for the year ended December 31, 2004:

Dividends	\$ 604,337
Interest	835,347
Less: Investment advisory fees	<u>(317,333)</u>
 Net Investment Income	 <u>\$ 1,122,351</u>
 Net realized gains on marketable securities	 \$ 1,504,176
Net unrealized gains on marketable securities	<u>260,247</u>
 Net Realized and Unrealized Gains on Investments	 <u>\$ 1,764,423</u>
 Mineral income	 \$ 871,387
Real estate income	72,103
Less: Mineral expense	(55,586)
Less: Real estate expense	<u>(10,509)</u>
 Net Mineral and Real Estate Income	 <u>\$ 877,395</u>

ALL CHURCH HOME FOR CHILDREN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following as of December 31, 2004:

Land	\$	716,959
Buildings and improvements		2,056,670
Construction in progress		185,975
Furniture, fixtures and equipment		564,343
Automobiles		<u>278,908</u>
 Total Property and Equipment		 3,802,855
Less: Accumulated Depreciation		<u>(2,270,975)</u>
 Net Property and Equipment	 \$	 <u>1,531,880</u>

**NOTE 6 – CONTRIBUTIONS RECEIVABLE**

The Home recognizes unconditional pledges as support in the period the pledge is made and reports them as contributions in the statement of activities. Contributions receivable at December 31, 2004 are expected to be received as follows:

Year Ending December 31, 2005	\$	125,084
Year Ending December 31, 2006		80,534
Year Ending December 31, 2007		40,543
Year Ending December 31, 2008		31,740
Year Ending December 31, 2009		<u>7,030</u>
 Total	 \$	 <u>284,931</u>

No allowance for uncollectible contributions is considered necessary as of December 31, 2004. Bad debt expense was \$-0- for the year ended December 31, 2004.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of December 31, 2004:

Restricted Purpose		Amount
Contributions restricted for future building expansion	\$	1,041,824
Providing care to children		<u>52,716</u>
 Totals	 \$	 <u>1,094,540</u>

**NOTE 8 – EMPLOYEE BENEFIT PLAN**

The Home sponsors a 401(k) plan for all qualified employees. The Home matches employee contributions at a rate of \$1.00 for each employee dollar up to 3% of the employee's salary and then an additional \$0.50 for each employee dollar up to an additional 2% of the employee's salary. Employer contributions to the Plan amounted to \$51,847 during the year ended December 31, 2004.

NOTE 9 - COMMITMENTS

The Home has committed to invest a total of \$2,000,000 in the BA 2001 Cayman Fund Ltd. As of December 31, 2004 the Home has invested \$1,000,000 in this fund of funds limited partnership.

In January 2005, the Home committed to pay a construction contractor \$680,000 for the construction of a new building to be completed during the year ending December 31, 2005.