

FINANCIAL SUMMARY

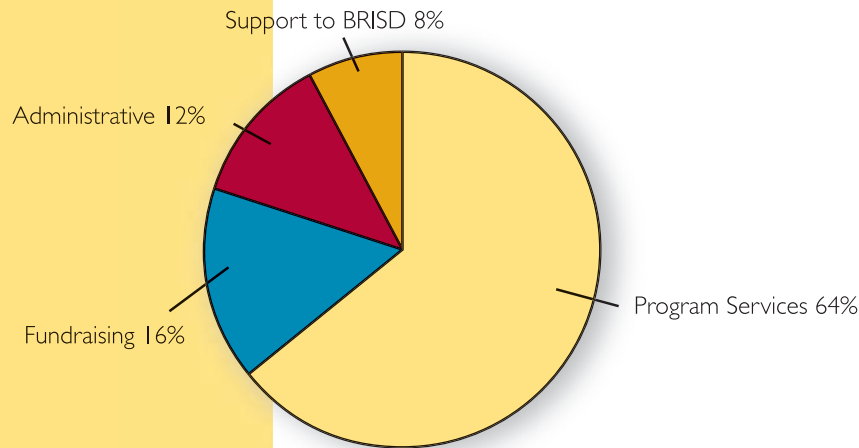
Cal Farley's Statement of Activities for the year ended September 30, 2005

The financial support of our friends enables Cal Farley's to provide life-changing services and experiences to children and youth, alumni, and their families.

During the fiscal year ending September 30, 2005, faithful giving from thousands of friends provided approximately 34 percent of our total operating expenses.

Seventy-two percent of our operating expenditures went directly to programs and services for children and families, and the support to BRISD, while the balance of our operating expenditures supported our administrative costs and fund raising efforts.

Operating Expenses of Cal Farley's and Support to BRISD:



Boys Ranch Independent School district was established in 1941 through legislative action. It is considered a "special purpose" independent school district of Texas, funded in part through annual contributions from Cal Farley's (approximately 50% in 2004-2005) and in part through state and federal education funding mechanisms.

Revenue and Support (Unrestricted)

Contributions	\$6,558,582
Bequests from Will/Trusts Income	6,321,603
Investment Return	2,423,740
Support from Cal Farley's Boys Ranch Foundation	16,500,000
Designated Gifts	3,292,563
Other	<u>1,291,364</u>
Total Unrestricted Revenue and Support	<u>\$36,387,852</u>

Operating and Other Expenditures

Program Services:	
Boys Ranch	\$19,824,301
Girlstown, U.S.A.	4,423,073
Admission and Family Liaison	<u>2,143,291</u>
Total Program Services	\$26,390,665
Fund-raising activities	6,525,045
Administrative costs	<u>4,959,687</u>
Total Operating Expenses	\$37,875,397
Support to Boys Ranch Independent School District	<u>3,164,236</u>
Total Operating and Other Expenditures	<u>\$41,039,633</u>

Other Activities

Restricted Contributions

Temporarily Restricted	\$5,071,535
Permanently Restricted	414,254
Investment income on restricted investments	518,063
Increase in value of unconditional promises	994,624
Net assets released from restrictions	(3,292,563)
Reversion of restricted assets to donor	(4,095,023)

Total Other Activities

(\$ 389,110)

Capital Expenditures

\$1,925,416

Liabilities and Net Assets:

Total Liabilities	\$10,006,337
Net Assets	
Unrestricted	30,349,865
Temporarily Restricted	23,162,881
Permanently Restricted	14,569,154

Total Net Assets

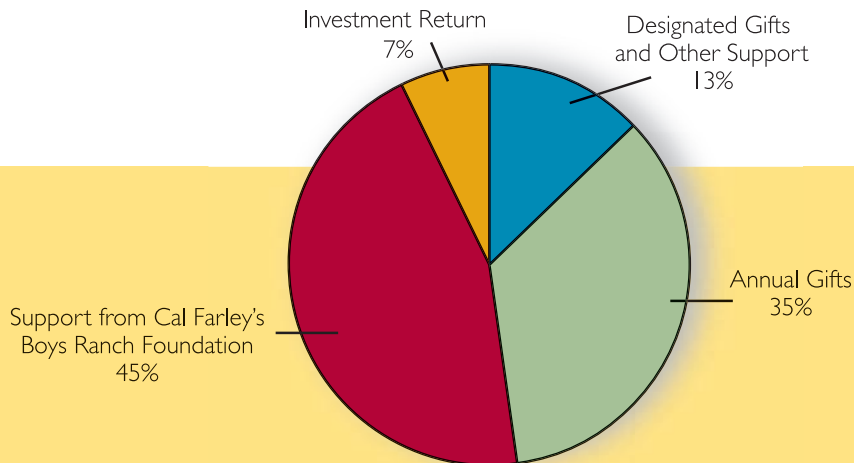
\$68,081,900

Total Liabilities and Net Assets

\$78,088,237

*Net assets include property and equipment with a carrying value of \$23,036,259. Temporarily Restricted Net Assets include unconditional promises to give of approximately \$11,749,000 on September 30, 2005 from various estates that are due after five years.

Revenue and Support:



All figures included in the financial portion of this annual report were obtained from the financial statements audited by Clifton Gunderson L.L.P. Certified Public Accountants and Consultants, Amarillo, Texas. The full audited financial statements are available on request.



David Saultz,

Sr. Vice President and Executive Director, Cal Farley's Boys Ranch Foundation

David has responsibility for oversight of the Organization's investment assets and fiduciary services. David was born in Fort Worth, Texas, but grew up in Midland, Texas. He attended Texas Tech University and earned a Bachelor's in Business Administration with an emphasis in Finance. Before joining Cal Farley's 10 years ago, David was the Sr. Vice President and Sr. Trust Officer of Texas Commerce Bank in San Angelo, Texas. David has been married 24 years. He and his wife Sharon have four daughters.

According to David:
"Cal Farley's provides pre-eminent youth and family services. The delivery of program services without federal or state financial assistance is what makes Cal Farley's unique, and I hope to continue to identify new ways for the Foundation to enhance our services and maximize our support to the Organization, and its mission."

FUNDING OUR LONG-TERM COMMITMENT TO CHILDREN AND FAMILIES

During the 2004-2005 fiscal year, contributions from our friends and supporters provided approximately 34% of the funds required to meet our total annual operating expenditures. We are extremely grateful for your generous support. And through the foresight of Cal Farley and his Board of Directors over 40 years ago, the remaining funds required to operate in 2004-2005 were available through the Cal Farley's Boys Ranch Foundation.

Mr. Farley chartered the Cal Farley's Boys Ranch Foundation in 1961. At the time, friends of the organization made special gifts to ensure Boys Ranch's future. Mr. Farley invested those gifts in the Foundation. His intent was to create a savings account that would provide for future needs while allowing the organization to meet the immediate needs of the children through annual donations.

For the fiscal year ended September 30, 2005, the Foundation had net assets (its savings account) of approximately \$384 million dollars, an increase of 8% from last year. Such growth was due to prudent investment of donor funds, favorable market conditions, and contributions made directly to Cal Farley's Boys Ranch Foundation. The Foundation, in turn, was able to distribute \$16.5 million for the support and care of the children at Cal Farley's Boys Ranch, Cal Farley's Girlstown, U.S.A., and our expanding family and community-based services.

With a solid financial Foundation, Cal Farley's is able to continue to operate independently without relying upon federal or state government support, offer high quality services to carry out our mission, and provide the financial stability needed to fulfill our long-term commitments to children and families.

When Cal Farley's accepts a child for placement, we make a promise to provide a home for the child through high school graduation. Depending on the child's age when accepted, he or she may remain for as little as one year, or live with us for as long as 14 or 15 years. Many of those children come to us without family, or family resources, to sustain them. College scholarships and other alumni support are also available.

The Foundation, and the stability it provides, is one of our greatest strengths. As a donor, you can be assured that when you give to Cal Farley's, we will be here for many years as we continue our important work with children and families.



FAITHFUL FRIENDS HELP US DEVELOP STRONG LEADERS

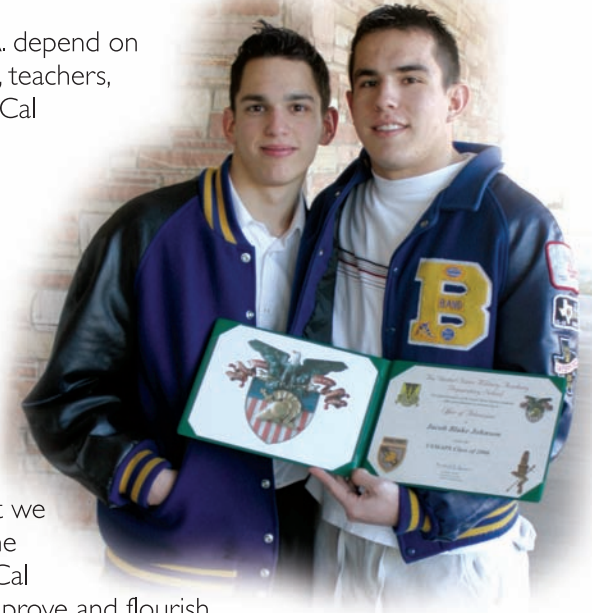
Words cannot express our appreciation for the support you provide through your encouragement, your prayers, and your financial assistance.

The boys and girls of Cal Farley's Boys Ranch and Cal Farley's Girlstown, U.S.A. depend on the caring support, steady guidance, and reassuring presence of house parents, teachers, and other dedicated role models who make up the Cal Farley's family. In turn, Cal Farley's depends on the generosity of people like you to help give each of our children "a shirttail to hang onto."

If we can help you help a child, members of our Advancement Office Call Center are ready to assist you. Please call us at 800-687-3722 or write us at Cal Farley's, P.O. Box 1890, Amarillo, Texas 79174-0001

Statement of Philanthropic Values

We believe philanthropy is the initiative which occurs when people respond to needs with the desire to effect positive change. We believe donors want to invest in Cal Farley's future, because of its past and present. We believe that philanthropy should never be taken for granted at Cal Farley's. We believe that we can never say "thank you" too much or too often. Every gift is received with the greatest respect and recognition. We strive to communicate how your gift to Cal Farley's addresses real problems enabling children, families and programs to improve and flourish.



Professional Fundraising Practices:

The Corporation operates within and abides by the fundraising ethical codes and professional practices of The Association of Fundraising Professionals (AFP), Alexandria, Virginia, including the AFP "Donor Bill of Rights" and the AFP "Professional Code of Ethics."

Why Support Cal Farley's?

"There are many worthwhile organizations that need donor dollars to operate. I believe Cal Farley's is deserving of support from donors because our mission is to help future generations be successful citizens. I believe the more children and families we can help become successful, the fewer the country will have to support in the next generation."

--Tom Novak, Administrator, Cal Farley's Boys Ranch

"As a donor, you are providing an opportunity for a child and family. Those opportunities are getting fewer every day. If you can put your money towards helping a child get healthier with themselves and their families, and that helps keep them out of the criminal justice system, or from being in the welfare system someday, then isn't that a great place to put your dollar?"

--Belinda Palacios, VP Community-Based Services



T.J. Carrillo

CAL FARLEY'S ALUMNI SETTLE THROUGHOUT THE WORLD

Members of Cal Farley's staff and Board of Directors are inspired by the thousands of alumni who live productive and happy lives throughout the world. Our alumni serve their communities well in every conceivable profession. Former residents are also attending colleges and universities throughout the country. They are pursuing a broad range of academic programs, such as medicine, social work and education. Many of our young men and women are currently serving in various branches of the military. One young man attends West Point Preparatory School with the expectation of joining the West Point Military Academy freshman class this fall.

In Memoriam

The Cal Farley's extended family suffered the loss of two very special young men this year: Rafael "TJ" Carrillo Jr., a 2002 graduate of Cal Farley's Boys Ranch; and Francis "Tyler" Simpkins, a 1999 graduate.

Tyler Simpkins



On June 28, 2005, Spc. Carrillo, 21, an infantryman specializing in mortars in the Army's 3rd Infantry Division, was killed in action after his Humvee was mortared in Baghdad, Iraq. The Friday before he was killed, TJ called his mother and told her he was sending some pictures home. "It was a picture of him and a little Iraqi boy giving a thumbs-up," his mother said. "He said, 'Mama, he's just a huge example of why we're here. We're going to make life better for these children.'" TJ was posthumously awarded the Bronze Star and Purple Heart. TJ arrived at Boys Ranch in 1997. During his five years at Boys Ranch, TJ played football, participated on the wrestling team, and was active in the Chapel program. His house mother said, "We watched him grow from a troubled teen into a responsible adult."

Staff Sgt. Simpkins died from a terminal illness contracted during a 12-month tour of duty in Iraq. "He was a casualty of war," his house mother said. "In his short life he accomplished so much and touched so many lives." Tyler was buried with full military honors in the Boys Ranch Cemetery in May 2005. He earned many awards during his brief military career. Tyler loved bullfighting and after graduating from Boys Ranch High School, he pursued his dream of becoming a professional bullfighter, but soon realized he wanted a career that would better provide for his new wife and children. He joined the Army in June 2000. "He truly loved and appreciated Boys Ranch," his house mom said. "He was very vocal about what the Ranch did and the values he learned to live by."