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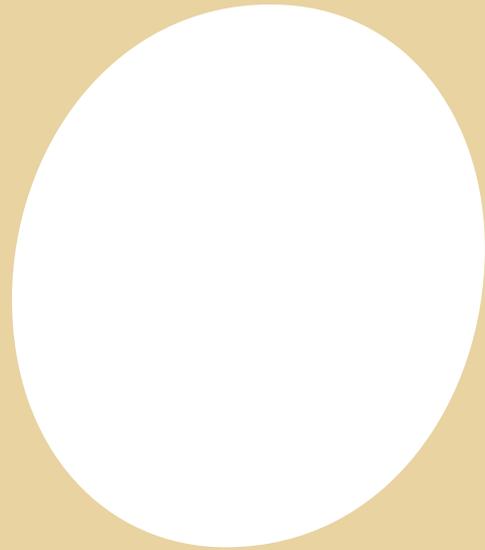
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CHALLENGE

OF GROWTH

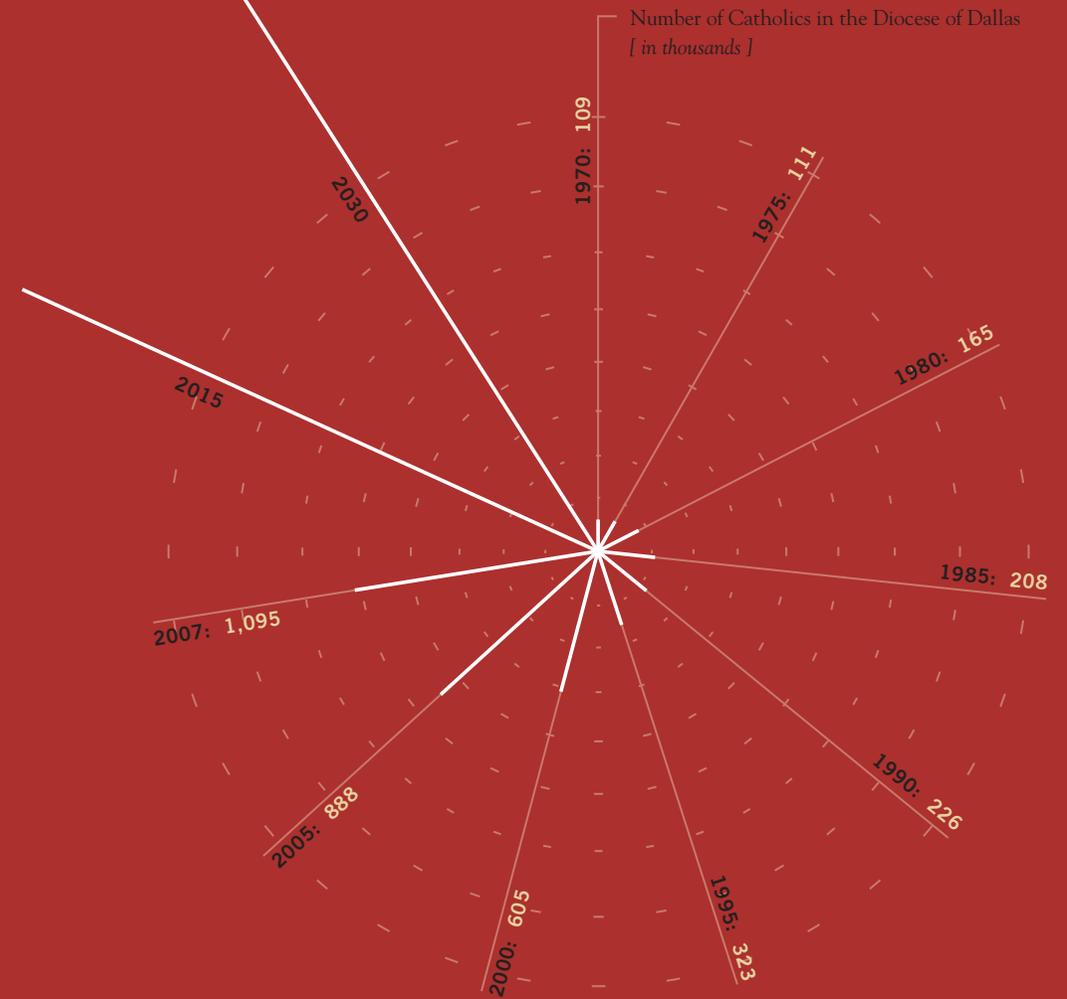
THE CATHOLIC FOUNDATION

2007 ANNUAL REPORT



THE JOYOUS NEWS IS THAT
THE CATHOLIC DIOCESE *of* DALLAS IS
GROWING.

THE CHALLENGING NEWS IS THAT THE
CATHOLIC DIOCESE *of* DALLAS IS GROWING
RAPIDLY.



Today, the estimated Catholic population of the Diocese is 1,095,000 – a nearly five-fold increase in the past 20 years. In the next 20 years, this population will continue to grow rapidly.

The rise in Catholic population means a corresponding rise in needs for new schools, for new parishes, for new facilities to serve the needs of a growing flock.

It is the vision of The Catholic Foundation to meet those material needs.

To prepare for tomorrow, the time to plan is today. The Catholic Foundation can help you create a thriving philanthropic legacy, for a thriving Catholic future.

Dear friends,

The Catholic Foundation is committed to “faithfully fulfilling its promise to provide financial support to this community for all time.” So says the preamble to our Mission and Vision statements.

Thus, we are “future-driven” as well as “mission-driven” to serve – and fund – the needs of our community.

By the end of 2007, the Dallas Diocese was home to more than one million Catholics for the first time and we recognized that growth was going to be both a joy and a challenge. Bishop Kevin Farrell, whom we welcomed as the seventh Bishop of Dallas in 2007, noted the challenge when he said “I am faced with, I would say, staggering needs, and I have no financial resources. I could open up five parishes, just like that, and they would be full.”

For more than 50 years, The Catholic Foundation has provided a means to join Catholic donors and community needs.

- In 2007, nearly \$4 million was entrusted to The Catholic Foundation from gifts to the Unrestricted Endowment Fund or placed in Donor Advised Funds.
- In 2007, more than \$1 million was granted through the Unrestricted Funds of The Catholic Foundation to 40 organizations in Dallas, ranging from John Paul II High School to the San Juan Diego Mission.
- In 2007, more than \$3.5 million was granted through Donor Advised and Designated Funds established at The Catholic Foundation to 313 organizations.

Yet many needs still go unfunded today. During 2007, The Catholic Foundation initiated programs to improve our investment strategy, grant distribution process and

development practices. The results have been significant with portfolio investment returns of 9.2 percent and contributions that exceeded our plan for the year. We expanded our Advisory Council and increased our community-wide contacts with the professional community by the reinvigoration of the Professional Advisor Seminar. And we placed even greater emphasis on the growth of the Foundation.

Today, the Dallas Diocese is among the fastest growing in the nation. Between 1990 and 2000, fueled by Sun Belt migration of Catholics from northern states and Hispanic immigration, the general population of southern states grew by 17 percent and the Catholic population growth in the South, including Dallas, was almost double that at 30 percent.

Since 2000, the Catholic population in the Dallas Diocese has nearly doubled. The Diocese is larger today than San Antonio, New Orleans, Atlanta and traditional Catholic communities such as Cleveland, Pittsburgh and St. Louis.

We are joyful that Catholics have flocked to our community and blessed to have outstanding visionary leaders such as Bishop Farrell as well as Hugh O'Brien and Lydia Novakov, two retiring Trustees of The Catholic Foundation.

We are also challenged to provide funding for facilities and services for our growing numbers. Our communities must build new parishes and schools and maintain those we have. All of our children that wish to have a Catholic education should be able to have one, and those who need social services deserve access to them.

The Catholic Foundation must attract generous donors to contribute to the Unrestricted Endowment Fund or establish a Donor Advised Fund. Working together with donors, we can manage our growth, fund our needs and meet the challenge of the future.

Thank you for your continued support. We are humbled. God bless you.

Edwin M. Schaffler *Len Ruby*

EDWIN M. SCHAFFLER
President & CEO

LEN RUBY
Chairman of the Board



THE VISION OF THE CATHOLIC FOUNDATION

To be the primary philanthropic leader whose trusted stewardship satisfies our donors' intentions while meeting all the needs of our Catholic community.



While an Annual Report is, by definition, a thoughtful reflection of the past year, in this Annual Report The Catholic Foundation also looks to the future – and we see opportunity.

Such opportunity is at once a gift and a call to giving – a joy and a challenge.

We are feeling both that joy and challenge as we review the phenomenally exciting growth of the Catholic population in the Diocese of Dallas and study the projections for the next two decades. We currently number over one million and that number is projected to grow by 40 to 60 percent in the next two decades.

In the context of our mission, the good news is that we are all part of a vibrant, fast-growing Catholic population that calls for the Foundation to reaffirm its leadership role in the Diocese. As we acknowledge our responsibility as the Diocese's ultimate philanthropic resource, we must inspire the deep, fruitful generosity that will enable us to meet the needs of the people of the Catholic Diocese of Dallas for all time – and especially in this time of ever more rapid, ever more diverse growth.



“My responsibility is to take care of the spiritual needs of the Church in Dallas. It is the responsibility of the laity to provide for the financial needs.”

— BISHOP KEVIN J. FARRELL



We are blessed by a powerful partnership with our Bishop, Kevin J. Farrell, who, when he declared at The Catholic Foundation Award Dinner earlier this spring, “My responsibility is to take care of the spiritual needs of the Church in Dallas. It is the responsibility of the laity to provide for the financial needs,” saluted the long-standing and generous support of the Foundation and its donors.

After all, almost every one of the Catholic institutions in the Diocese – churches, schools, colleges, day care centers, homes for the aged, and social service agencies – has been sustained and supported over the course of the last 52 years as our founders promised they would be, from grants totaling up to \$5 million a year by The Catholic Foundation. These included gifts from the Unrestricted Fund to rebuild a rectory or outfit a science laboratory, and gifts from Donor Advised Funds to pay a tuition, reward a teacher, celebrate the cultural arts, or provide meals and medical assistance.

As we look into a future defined by extraordinary growth in the Catholic population of Texas, the Foundation recognizes that it will take more resources to realize our goal of meeting all the needs of the people of our community, whatever their number.

We can do this. The Catholic Foundation exists to serve the people of this community today and tomorrow. However, we will depend on the generous help of the faithful to meet the challenge. We will depend on you.

HOW CAN YOU HELP? Through charitable gifts to The Catholic Foundation that will be used to build our endowment and significantly increase our capacity to fund the critical non-operating needs of institutions, agencies and organizations in the Diocese. Gifts to the Foundation’s Unrestricted Fund to be distributed in accordance with the Foundation’s understanding of current needs, or gifts to Donor Advised Funds to be distributed in accordance with a donor’s specific charitable intent are welcomed.

WHY THE CATHOLIC FOUNDATION? Because it is a uniquely mission-driven philanthropic entity and because the Foundation is committed to helping every donor realize his or her charitable goals easily and most effectively with an extensive array of giving tools that provide the security, tax benefits, flexibility, purpose, visibility (or anonymity), and family involvement each donor desires.

PLEASE JOIN US. Look through this Annual Report and see what we have done in the names of all that have come before us. Then look into the future with us and commit to sharing in the joys and the challenges that will engage the Foundation as we move forward in this exciting 21st century. We invite you to make a charitable gift to The Catholic Foundation or develop a charitable giving plan with The Catholic Foundation today.

Dallas is growing. The number of Catholics in the Diocese of Dallas is growing almost exponentially. To keep faith with our promise in the 21st century, the Catholic Foundation must also grow.



HOW TO BECOME
A DONOR

FIRST, determine how much you wish to invest in philanthropy now and/or through a simple designation in a will or trust.

SECOND, outline your personal philanthropic goals.

THIRD, name the fund and name the fund advisors.

FOURTH, work with a Foundation professional to establish investment and spending policies for the fund.

FIFTH, make your gift to The Catholic Foundation, and by doing so, you have translated your charitable intentions into a meaningful gift and lasting legacy.



2007 UNRESTRICTED FUND GRANT RECIPIENTS

ANNUAL BISHOP'S BURSE – \$35,000
Grant Funding Directed by the Bishop of Dallas

BIG THOUGHT – \$21,200
Arts Learning Experiences in Four Diocesan Schools

BISHOP LYNCH HIGH SCHOOL – \$5,000
Tuition Assistance (Funded by the Catherine O'Connell and Charles Schulze Endowment Fund)

CATHOLIC CAMPUS MINISTRY AT SMU – \$15,000
Justice Education Program

CATHOLIC CHARITIES – \$22,069
Establishment of Outreach Center at Good Shepherd Parish in Garland

**THE CATHOLIC FOUNDATION
AWARD GRANT – \$10,000**
Grant to Institution Designated by The Catholic Foundation Award Honoree

**THE CATHOLIC FOUNDATION HIGH SCHOOL
SCHOLARSHIP PROGRAM – \$65,000**
Scholarships for Students Attending Diocesan High Schools

**THE CATHOLIC FOUNDATION SCHOLARS
AWARD – \$8,500**
Scholarships for Scholar Award Winner and Runners-up

CATHOLIC PRO-LIFE COMMITTEE – \$10,000
Funding for Project Gabriel and GEMS Program

CHILDREN'S EDUCATION FUND – \$45,000
Catholic School Tuition Assistance Fund (Funded in part by the Emma Louise Buhrer Endowment Fund)

CISTERCIAN PREPARATORY SCHOOL – \$50,000
Renovation of One Senior Classroom

DIVINE MERCY OF OUR LORD PARISH – \$75,000
Parking Lot Expansion

GRAND PRAIRIE WELLNESS CENTER – \$4,954
Medical Equipment and Supplies (Funded by the R. Cardis and Grace DeLee Stubbs Fund)

THE HIGHLANDS SCHOOL – \$36,730
Campus Security Improvements

**IMMACULATE CONCEPTION SCHOOL
(Grand Prairie) – \$58,000**
Replace HVAC Units in the Main School Building

**JESUIT COLLEGE PREPARATORY
SCHOOL – \$30,000**
Energy Conservation Project

JOHN PAUL II HIGH SCHOOL – \$200,000
Final Installment on Cornerstone Grant

**LA PROMESA FOUNDATION/GUADALUPE
RADIO NETWORK – \$30,000**
Operating Expenses for Start-up

**LOW BIRTH WEIGHT DEVELOPMENT
CENTER – \$37,500**
Salary for Development Director and Program Expansion

MOUNT CARMEL CENTER – \$50,000
Replace Windows and Upgrade HVAC

**MOUNT ST. MICHAEL CATHOLIC
SCHOOL – \$20,000**
Update Montessori Lab and Replace Stage Curtain

**MOUNT ST. MICHAEL CATHOLIC
SCHOOL – \$5,000**
Tuition Assistance (Funded by the Emma Louise Buhrer Endowment Fund)

MUSEUM OF NATURE AND SCIENCE – \$2,000
Science Programs for Diocesan Schools (Funded by the Emma Louise Buhrer Endowment Fund)

OUR LADY OF PERPETUAL HELP SCHOOL – \$1,900
Repair Drainage System in Portable Building

THE PINES CATHOLIC CAMP – \$60,000
Purchase Two Passenger Buses

READING AND RADIO RESOURCE – \$7,600
Establish Audio Recording Seed Library for Use by Diocesan Schools

SAN JUAN DIEGO MISSION – \$100,000
Replace Roof on the Sanctuary Building

SANTA CLARA CATHOLIC ACADEMY – \$75,000
Continuation of Literacy Program

**SCHOLARSHIP PROGRAM FOR INNER CITY
SCHOOLS – \$10,000** (Funded by the Emma Louise Buhrer Endowment Fund and a collaboration with the John G. and Marie Stella Kenedy Memorial Foundation, the Bishop Grahmann Endowment Fund and the Dave Fox Inner City Education Fund)

SOCIETY OF ST. VINCENT DE PAUL – \$35,000
Salary of a Referral Specialist and Funding for Client Services (Funded in part by the Fund for the Poor and Needy)

ST. AUGUSTINE CATHOLIC SCHOOL – \$10,000
Tuition Assistance (Funded in part by the Emma Louise Buhrer Endowment Fund)

ST. CECILIA SCHOOL – \$25,000
Furnishings for Four Classrooms and Two Reception Areas; Paint Hallways and Cafeteria

ST. EDWARD PARISH – \$24,380
Install Fire Alarm System and Building Demolition

ST. ELIZABETH ANN SETON CHURCH – \$30,000
New Roof for Sanctuary and Parish Hall

ST. ELIZABETH OF HUNGARY SCHOOL – \$40,000
SMARTBoards, Laptops and Projectors

ST. JOHN THE APOSTLE CHURCH – \$26,000
Video Security System

ST. JOSEPH CHURCH (Richardson) – \$25,000
Repair Sanctuary Roof

ST. MONICA CATHOLIC SCHOOL – \$36,000
Two Mobile Computer Labs and New Server

ST. THOMAS AQUINAS SCHOOL – \$50,000
Renovation of Upper School Restrooms

ST. VINCENT DE PAUL THRIFT STORE – \$25,000
Purchase Delivery Truck

Additionally, more than \$3.5 million was granted from Donor Advised and Designated Funds, for a total of over \$4.5 million granted by The Catholic Foundation in 2007.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Catholic Foundation

We have audited the accompanying statement of financial position of The Catholic Foundation (the "Foundation") as of December 31, 2007, and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2006 financial statements and, in our report dated May 7, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's

internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Foundation as of December 31, 2007 and its changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Dallas, Texas
May 2, 2008

STATEMENT OF FINANCIAL POSITION

December 31, 2007 (with summarized financial information as of December 31, 2006)	2007	2006
Assets		
Cash and cash equivalents	\$ 63,721	\$ 171,221
Accounts receivable	511,700	929,262
Contributions receivable	67,250	1,250
Investments	81,936,438	78,458,725
Agency funds	40,067,140	40,383,425
Real estate held for investment, net	1,017,531	302,533
Other assets, net	1,008,864	952,506
Total assets	\$ 124,672,644	\$ 121,198,922
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 259,247	\$ 232,728
Distributions payable	114,340	110,222
Grants payable	1,756,859	1,523,377
Liability to trust beneficiaries	3,016,275	3,273,832
Agency funds	40,067,140	40,383,425
Deferred revenue	5,884,407	6,003,222
Annuities payable	2,190,650	2,424,985
Total liabilities	53,288,918	53,951,791
Net assets		
Unrestricted	27,206,993	25,774,268
Temporarily restricted	24,381,945	23,085,164
Permanently restricted	19,794,788	18,387,699
Total net assets	71,383,726	67,247,131
Total liabilities and net assets	\$ 124,672,644	\$ 121,198,922

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES

Year ended December 31, 2007 (with summarized financial information for the year ended December 31, 2006)

	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Revenue, gains (losses), and other support					
Contributions	\$ 457,760	\$ 3,061,376	\$ 342,866	\$ 3,862,002	\$ 3,708,782
Investment income					
Dividends and interest	504,569	1,389,611	29,805	1,923,985	1,693,609
Net realized and unrealized gains on investments	2,781,035	1,648,039	370,637	4,799,711	5,984,409
Real estate income	11,965	1,423	-	13,388	30,090
Investment advisory fees	442,977	-	-	442,977	212,108
Other	180,838	33,300	-	214,138	335,165
Change in value of split-interest agreements	315,320	212,831	100,724	628,875	(30,715)
Net assets released from restrictions	4,486,742	(4,486,742)	-	-	-
Total revenue, gains (losses), and other support	9,181,206	1,859,838	844,032	11,885,076	11,933,448
Expenses					
Grants	1,356,529	-	-	1,356,529	1,839,030
Distributions	3,642,356	-	-	3,642,356	3,515,214
Annuity payments and distributions to beneficiaries	592,537	-	-	592,537	643,981
Development	822,563	-	-	822,563	777,005
Management and general	1,334,496	-	-	1,334,496	1,079,944
Total expenses	7,748,481	-	-	7,748,481	7,855,174
Transfers between funds	-	(563,057)	563,057	-	-
Change in net assets	1,432,725	1,296,781	1,407,089	4,136,595	4,078,274
Net assets at beginning of year	25,774,268	23,085,164	18,387,699	67,247,131	63,168,857
Net assets at end of year	\$ 27,206,993	\$ 24,381,945	\$ 19,794,788	\$ 71,383,726	\$ 67,247,131

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS

Year ended December 31, 2007 (with summarized financial information for the year ended December 31, 2006)

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 4,136,595	\$ 4,078,274
Adjustments to reconcile change in net assets to net cash used in operating activities		
Noncash contributions	(1,301,043)	(1,292,750)
Noncash distributions	-	769,877
Net realized and unrealized gains on investments	(4,799,711)	(5,984,409)
Change in value of split-interest agreements	(628,875)	30,715
Changes in operating assets and liabilities		
Accounts receivable	417,562	(283,804)
Contributions receivable	(66,000)	399,875
Other assets	(52,454)	(39,685)
Accounts payable and accrued liabilities	26,519	22,385
Distributions payable	4,118	13,461
Grants payable	233,482	(205,593)
Liability to trust beneficiaries	(66,642)	106,463
Annuities payable	80,985	4,760
Deferred revenue	3,825	-
Net cash used in operating activities	(2,011,639)	(2,380,431)
Cash flows from investing activities		
Proceeds from sale of real estate	-	251,660
Proceeds from sale of investments	47,860,697	18,289,214
Purchases of investments	(45,956,558)	(16,016,558)
Net cash provided by investing activities	1,904,139	2,524,316
Net (decrease) increase in cash and cash equivalents	(107,500)	143,885
Cash and cash equivalents at beginning of year	171,221	27,336
Cash and cash equivalents at end of year	\$ 63,721	\$ 171,221

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 (with summarized financial information for the year ended December 31, 2006)

Note A - Nature of Operations

The Catholic Foundation (the “Foundation”) is a not-for-profit corporation authorized primarily to serve Catholic institutions within the Diocese of Dallas which are of a religious, charitable or educational character.

Note B - Summary of Significant Accounting Policies

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

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to distribute all or part of the income earned on related investments for general or specific purposes, as specified by original grantor.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenue in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Realized and unrealized gains (losses) and income on investments are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift require that they be included in the principal of a permanent endowment fund;

- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- as increases (decreases) in unrestricted net assets in all other cases.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Receivables are primarily due to investment transactions that have not been completed and are stated at the amount owed to the Foundation.

Investments

Investments in money market funds, mutual funds and marketable securities are stated at fair value. The carrying amounts of alternative investments (primarily private equity funds) are based on the fair value of the underlying funds. The net realized and unrealized gains (losses) in fair value of investments are reflected in the statement of activities.

Agency Funds

The Foundation is the trustee for certain revocable and irrevocable trusts under which the Foundation may not ultimately be a beneficiary. Accordingly, assets of such agreements are generally carried at fair value with a corresponding liability. There are no amounts reflected in the Statement of Activities relating to these funds.

Real Estate

Real estate held for investment is recorded at fair value. Permanent decreases in fair value below cost are recorded to expense in the year that such decreases become known. Contributions of real estate are recorded at fair value at the time of donation.

Grants Payable

Grants are recognized as expenses in the financial statements at the time recipients are entitled to such grants. Generally, this occurs when the Foundation’s Distribution Committee approves a specific grant.

Liability to Trust Beneficiaries

Fixed Payment Charitable Remainder Trusts - Under fixed payment charitable remainder trust agreements, the Foundation pays annual benefits from trust assets over the term of the trust to third party beneficiaries with remaining trust assets at the end of the trust’s term being distributed to the Foundation. For irrevocable charitable remainder trusts, assets of the trust are generally carried at fair value. A liability is recognized equal to the present value of amounts which the Foundation expects to

pay to third party beneficiaries at the historical risk-free rate ranging from 6.2% to 8.2%. Changes in the calculated liability due to increases or decreases in the actuarially determined life expectancy of third party beneficiaries, are reflected as change in value of split-interest agreements in the statement of activities.

Deferred Revenue

Net Income Charitable Remainder Trusts - Under net income charitable remainder trust agreements, a donor gives assets to the Foundation to invest, and the Foundation must pay the investment income earned to the donor until the donor’s death, at which time the assets become the property of the Foundation. Assets are generally recognized at fair value with deferred revenue recognized equal to the difference between the fair value of the assets and the present value of those assets discounted at the historical risk-free rate ranging from 5.2% to 9.6% over the actuarially determined life expectancy of the donor. Changes in the calculated deferred revenue due to increases or decreases in the actuarially determined life expectancy of the donor are reflected as change in value of split-interest agreements in the statement of activities and statement of cash flows.

Annuities Payable

The Foundation has annuity agreements with donors to make payments to the annuitants for the remainder of their lives. For charitable gift annuities, assets are recorded at fair value when received on the statement of financial position. A liability is recorded equal to the present value of the estimated future obligations. Changes in annuity liabilities due to increases or decreases in the actuarially determined life expectancy of the donor are reflected as change in value of split-interest agreements in the statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among development and management and general.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as amended, and as a public charity described in Section 501(c) (3) of the IRC. However, income generated from activities unrelated to the Foundation’s exempt purpose is subject to tax under IRC Section 511. The Foundation had no material unrelated business income tax during the years ended December 31, 2007 and 2006.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

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 US GAAP. Accordingly, such information should be read in conjunction with the Foundation’s audited financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Note C - Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Accounts Receivable, Contributions Receivable and Grants Payable

The carrying amounts approximate fair value because of the short maturity of these instruments.

Liability to Trust Beneficiaries, Annuities Payable and Deferred Revenue

The carrying amounts approximate fair value based on the discounted value of expected future cash flows.

Investments

The carrying amounts of money market funds, mutual funds and marketable securities approximate fair value based on quoted market prices. The carrying amounts of alternative investments are based on the fair value of the underlying funds.

Note D - Investments

Investments at fair value, excluding agency assets at December 31, 2007 and 2006, consist of the following:

December 31,	2007	2006
Money market funds	\$ 1,539,340	\$ 1,202,850
Marketable securities		
Fixed income	1,820,294	2,957,249
Equities	13,232,825	11,805,697
Mutual funds	59,475,560	57,247,798
	74,528,679	72,010,744
Alternative investments	5,868,419	5,245,131
	\$ 81,936,438	\$ 78,458,725

Note E - Net Assets

Permanently and temporarily restricted net assets are restricted for Catholic organizations in the Diocese of Dallas.

Unrestricted net assets include \$889,135 and \$784,605 board designated for grants at December 31, 2007 and 2006, respectively.

Temporarily restricted net assets were released from restrictions by satisfaction of restrictions as follows:

Years ended December 31,	2007	2006
Distributions from donor advised funds	\$3,642,356	\$3,515,214
Distributions from split-interest agreements	460,711	520,529
Other	383,675	367,337
	<u>\$4,486,742</u>	<u>\$4,403,080</u>

Note F - Commitments and Contingencies

The Foundation leases office space and equipment under non-cancellable operating lease agreements. Rent expense was approximately \$92,000 and \$93,000 for the years ended December 31, 2007 and 2006, respectively. The office lease expires January 31, 2009 and the equipment leases expire October 10, 2009 and December 31, 2010.

Minimum future rental payments as of December 31, 2007 are as follows:

Years ending December 31,	
2008	\$ 94,198
2009	15,469
2010	6,192
	<u>\$ 115,859</u>

The Foundation has made capital commitments to the investment managers of the alternative investments of \$1.2 million. As of December 31, 2007, \$859,000 of this capital commitment has been funded.

Note G - Employee Benefit Plan

The Foundation allows employees to contribute to a savings plan (the "Plan") which is subject to Section 403(b) of the Internal Revenue Code. All employees are eligible to contribute to the Plan any whole percentage of their salary not to exceed the maximum allowed by the Internal Revenue Code. The total value of the participant's contribution is fully

and immediately vested. Employees are eligible to participate in the Plan upon employment with the Foundation. The Foundation matches up to 6% of the employee's annual salary. The Foundation's match vests to the participant ratably over a three-year period. The Foundation's contributions for the years ended December 31, 2007 and 2006 were approximately \$46,000 and \$43,000, respectively.

Note H - Agency Funds

The Foundation accepts funds to manage and invest from organizations and individuals primarily in the Catholic Diocese of Dallas. A number of the funds managed by the Foundation are held as agency accounts since the owner of the fund has the ability to withdraw the funds at any time.

The following is a summary of assets held under agency relationships:

December 31,	2007	2006
Cash	\$ 10,390	\$ 9,634
Accounts and interest receivable	30,078	17,216
Investments, at market value		
Money market funds	3,215,806	2,570,510
Marketable securities	36,396,728	37,404,424
Real estate held for investment	75,000	75,000
Other assets	339,138	306,641
Total agency assets	<u>\$ 40,067,140</u>	<u>\$ 40,383,425</u>

The following is a summary of agency activity. This activity is not included in the Foundation's statement of activities.

Years ended December 31,	2007	2006
Revenue and net gains on investments		
Investment income	\$ 1,272,808	\$ 972,269
Net realized and unrealized gains on investments	885,005	2,196,920
Other income	32,766	30,550
Total revenue and net gains on investments	<u>2,190,579</u>	<u>3,199,739</u>
Operating expenses and transfers	(376,534)	(206,166)
Agency accounts additions	8,827,892	4,277,742
Agency accounts distributions	(10,958,222)	(7,378,380)
Net agency activity	<u>(316,285)</u>	<u>(107,065)</u>
Agency liability at beginning of year	40,383,425	40,490,490
Agency liability at end of year	<u>\$ 40,067,140</u>	<u>\$ 40,383,425</u>

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