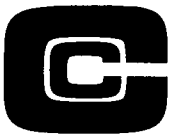


**CATHOLIC FOUNDATION
OF THE TEXAS PANHANDLE**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2007



CORNELL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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W.E. Swenson, Sr., C.P.A.
Founder
1926-1976

**To the Trustees
Catholic Foundation of the Texas Panhandle
Amarillo, Texas**

Independent Auditor's Report

We have audited the accompanying statements of financial position of the Catholic Foundation of the Texas Panhandle (the "Foundation") as of June 30, 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 Trustees and 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 audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Foundation of the Texas Panhandle, as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cornell & Company, P.C.

Cornell & Company, P.C.
January 30, 2008

CATHOLIC FOUNDATION OF THE TEXAS PANHANDLE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

	<u>2007</u>
<u>Assets</u>	
Cash	\$ 2,505
Investment, at market (Note 2)	<u>2,064,473</u>
Total assets	<u>\$2,066,978</u>
 <u>Net Assets</u>	
Permanently restricted (Note 3)	<u>2,066,978</u>
Total net assets	<u>\$2,066,978</u>

See auditors' report and accompanying notes.

**CATHOLIC FOUNDATION OF THE TEXAS PANHANDLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Change in net assets:			
Revenue and other support:			
Contributions	\$ -	\$ 43,188	\$ 43,188
Interest and dividends	87,252	-	87,252
Investment gains (losses)	-	1,409	1,409
Market value and other support	-	1,264	1,264
	<hr/>	<hr/>	<hr/>
Total revenue and other support	87,252	45,861	133,113
Expenses:			
Trust distributions (Note 3)	85,029	-	85,029
Management fees	13,022	-	13,022
Administrative costs	515	-	515
Total expenses	<hr/>	<hr/>	<hr/>
	98,566	-	98,566
Increase (decrease) in net assets	(11,314)	45,861	34,547
Net assets, at beginning of year	-	2,032,431	2,032,431
Reclassification of net assets to Permanently restricted (Note 3)	<hr/>	<hr/>	<hr/>
	11,314	(11,314)	-
Net assets, at end of year	<hr/>	<hr/>	<hr/>
	\$ -	\$2,066,978	\$2,066,978

See auditors' report and accompanying notes.

**CATHOLIC FOUNDATION OF THE TEXAS PANHANDLE
STATEMENT OF CASH FLOW
YEAR ENDED JUNE 30, 2007**

Cash flows from operating activities:	
Change in net assets	\$ 34,547
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized loss on investments	<u>2,673</u>
Net cash flows from operating activities	<u>37,220</u>
Cash flows from investing activities:	
Purchase of investments	(129,262)
Proceeds from sale of investments	<u>94,327</u>
Net cash flows from investing activities	(34,935)
Net increase (decrease) in cash and equivalent	<u>2,285</u>
Cash and equivalents, beginning of year	<u>220</u>
Cash and equivalents, end of year	<u><u>\$ 2,505</u></u>

See auditors' report and accompanying notes.

CATHOLIC FOUNDATION OF THE TEXAS PANHANDLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Note 1 – Summary of significant accounting principles:

Nature of operations:

The Catholic Foundation of the Texas Panhandle (the "Foundation") is a charitable trust formed to receive long-term endowment type contributions from individuals, corporations, foundations, associations and other entities whose intention is to benefit the educational, religious and charitable activities of the Roman Catholic Diocese of Amarillo (the "Diocese"). The Foundation also receives funds from various segments of the Diocese as "Participating Entities". These funds are held in trust for investment purposes, but remain under the control of the Participating Entity and must be accounted for separately.

See Note 5

Basis of presentation:

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations except as discussed in Note 6.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Permanently restricted net assets represent contributions received that, according to donor wishes, are to be held in perpetuity, with related income being available for specific use within the Diocese and where the Foundation retains variance power as to the beneficiary of the assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Donated equipment, materials and supplies are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. No amounts have been reflected in the accompanying financial statements for donated services since no objective basis is available to measure the value of such services.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Foundation considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Note 1 – Summary of significant accounting policies (continued):

Investment securities:

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. Unrealized gains and losses are included in the change in net assets.

Income taxes:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2003.

Note 2 – Investments:

Investments are stated at fair value and consist of common trust funds, U.S. Treasury Cash Reserves, U.S. Government bonds (mortgage-backed securities), mutual funds, and an annuity. Investments are held by Mission Management and Trust and Catholic Life Insurance. Fair values and unrealized appreciation (depreciation) at June 30, 2007, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Common trust funds (income)	\$2,033,440	\$2,038,515	\$ 5,075
Catholic Life Annuity	25,958	25,958	-
Total investments	<u>\$2,059,398</u>	<u>\$2,064,473</u>	<u>\$ 5,075</u>

Note 3 – Permanently restricted net assets:

The Foundation’s Trust agreement established ten separate trusts, five of which contain funds at June 30, 2007. These are as follows:

- The **General Fund** to provide for the unrestricted charitable, religious, and educational purposes of the Roman Catholic Diocese of Amarillo.
- The **Seminary Burse Fund** to provide for the support and education of Seminarians.
- The **Bishop Defalco Retreat Center Fund** to provide for the support of activities of the Retreat Center and maintenance of the facility.
- The **Priests’ Retirement Fund** to provide supplementary retirement benefits to the retired priests of the Roman Catholic Diocese of Amarillo and the acquisition and construction of new residential facilities for retired priests.

Note 3 – Permanently restricted net assets (continued):

- The **William Randolph Hearst Scholarship Fund** to provide for the support of domestic elementary school students in the twelve diocesan elementary schools in the form of scholarships.

If the Foundation Trust should terminate at any time the assets of the separate trusts shall be distributed as follows:

- Assets of the General Fund shall be delivered to the Bishop of the Roman Catholic Diocese of Amarillo and his successors in office as an endowment.
- Assets of the remaining separate trusts shall be distributed to a new separate trust to be established for the purpose of the existing separate trust or to the Bishop of the Roman Catholic Diocese of Amarillo and his successors in office as an endowment.

The terms of the trust agreements, as amended, allow for the distribution of 5% of the market value of the fund at the end of the previous year, as well as the current year income. Any income not expended for the intended purposes described above within ninety days after the end of the fiscal year of the Trust shall be accumulated and added to the principal. The Trustees have the authority to determine when income is distributed to its intended beneficiary, and distributed \$85,029.

Note 4 – Contingencies:

The Foundation Trust Document provides that “Participating Entities” may transfer funds to Foundation Trustees for investment purposes under the terms of a separate participation agreement. Separate trust instruments and Trustees outside of the Foundation govern the assets related to these Participating Entities. The Trustees are provided a separate accounting for each Participating Entity. The Trustees are obligated to distribute to a Participating Entity so much or all income and principal held by its separate Trust as may be required by the Participating Entity from time to time.

The Participating Entity, however, must provide the Trustees at least sixty days prior notice for any withdrawal. Upon termination of the Foundation Trust, the assets of the Participating Entities shall be delivered to the Participating Entity or as provided under the dissolution clause of the agreement establishing the Participating Entity if the Entity is no longer in existence.

Separate trust instruments and Trustees outside of the Foundation govern the assets related to these Participating Entities. The assets of these separate trusts, therefore, do not belong to the Foundation and are not included in the assets reported in the Statements of Financial Position. The Foundation is merely providing the service of investing funds for the Participating Entities. Balances and activity for each of these separate trusts for the year ended June 30, 2007 are as follows:

Note 4 – Contingencies (continued):

	Beginning		Investement Investement			Gains	Ending
	FMV	Contributions	Income	Expense	Withdrawals	(Loss)	FMV
ACEF	\$ 518,288	\$ -	\$ 17,118	\$ (5,586)	\$ (21,693)	\$ 4,085	\$ 512,212
Gayden Foundation	987,222	-	54,702	(3,103)	(61,000)	(1,122)	975,699
Sr. Kathleen Brady Trust	19,829	-	864	-	(126)	57	20,624
St. Ann's Nursing Home	422,724	-	18,371	-	(2,418)	970	439,647
St. John's Parish School	48,875	-	2,130	-	(314)	143	50,834
St. Thomas Parish	5,533	-	280	-	(36)	17	5,794
St. Vincent Parish	533,013	25,000	22,859	(3,215)	(18,350)	1,569	560,876
Holy Family Parish	502,111	-	21,909	(3,233)	-	2,007	522,794
St. Ann's Endowment	103,088	-	4,498	-	(663)	411	107,334
Catholic Student Center WT A&M	8,361	-	365	-	(54)	24	8,696
	<u>\$ 3,149,044</u>	<u>\$ 25,000</u>	<u>\$ 143,096</u>	<u>\$ (15,137)</u>	<u>\$ (104,654)</u>	<u>\$ 7,161</u>	<u>\$ 3,204,510</u>