

**THE CATHOLIC FOUNDATION OF SANTA CLARA
COUNTY**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Catholic Foundation of Santa Clara County
San Jose, California

We have audited the accompanying statements of financial position of The Catholic Foundation of Santa Clara County, as of December 31, 2007 and 2006, and the related statements of activities 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 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 Santa Clara County, as of December 31, 2007 and 2006, 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.

As discussed in Note K to the financial statements, certain errors resulting in the misclassification previously reported contributions as revenue were discovered by management of the Foundation during the year. Accordingly, the 2006 financial statements have been restated and an adjustment has been made to the net assets as of December 31, 2005, to correct the error.

Delucchi, Hawn & Co., LLP

San Jose, California
July 11, 2008

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2007	2006 Restated
Cash and cash equivalents	\$ 10,962,216	\$ 4,989,219
Investments	8,585,923	2,292,970
Promises to give, net	58,071,722	14,402,222
Property and equipment, less accumulated depreciation of \$9,173 and \$3,718	14,666	14,317
	\$ 77,634,527	\$ 21,698,728

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 49,254	\$ 23,569
Beneficial interests payable, net	19,060,150	1,693,983
Beneficial endowments	3,311,319	1,336,750
Total liabilities	22,420,723	3,054,302

Net assets:

Unrestricted	47,408,346	13,436,623
Temporarily restricted	438,325	304,140
Permanently restricted	7,367,133	4,903,663
	55,213,804	18,644,426
	\$ 77,634,527	\$ 21,698,728

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
STATEMENTS OF ACTIVITIES

	For the Years Ended							
	December 31, 2007				December 31, 2006, Restated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support								
Donations	\$ 43,653,357	\$ 16,091	2,829,627	\$ 46,499,075	\$ 11,357,319	\$ 252,855	\$ 584,467	\$ 12,194,641
Interest and dividends, net	293,013	212,890	-	505,903	29,571	48,550	-	78,121
Realized and unrealized gains (losses) on investments, net	(207,649)	(93,921)	-	(301,570)	370	359	-	729
	<u>43,738,721</u>	<u>135,060</u>	<u>2,829,627</u>	<u>46,703,408</u>	<u>11,387,260</u>	<u>301,764</u>	<u>584,467</u>	<u>12,273,491</u>
Other adjustments								
Uncollectible pledges	-	(875)	(366,157)	(367,032)	-	-	-	-
Change in donor restrictions	-	-	-	-	(25,000)	-	25,000	-
	<u>43,738,721</u>	<u>134,185</u>	<u>2,463,470</u>	<u>46,336,376</u>	<u>11,362,260</u>	<u>301,764</u>	<u>609,467</u>	<u>12,273,491</u>
Grants and expenses								
Grants	5,250,000	-	-	5,250,000	-	-	-	-
Fundraising	1,502,619	-	-	1,502,619	893,098	-	-	893,098
General and administrative	111,615	-	-	111,615	37,472	-	-	37,472
Uncollectible pledges	2,902,764	-	-	2,902,764	-	-	-	-
	<u>9,766,998</u>	<u>-</u>	<u>-</u>	<u>9,766,998</u>	<u>930,570</u>	<u>-</u>	<u>-</u>	<u>930,570</u>
Change in net assets	33,971,723	134,185	2,463,470	36,569,378	10,431,690	301,764	609,467	11,342,921
Net assets, beginning of year, restated	<u>13,436,623</u>	<u>304,140</u>	<u>4,903,663</u>	<u>18,644,426</u>	<u>3,004,933</u>	<u>2,376</u>	<u>4,294,196</u>	<u>7,301,505</u>
Net assets, end of year	<u>\$ 47,408,346</u>	<u>\$ 438,325</u>	<u>\$ 7,367,133</u>	<u>\$ 55,213,804</u>	<u>\$ 13,436,623</u>	<u>\$ 304,140</u>	<u>\$ 4,903,663</u>	<u>\$ 18,644,426</u>

See Notes to Financial Statements

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2007	2006 Restated
Cash flows from operating activities:		
Change in net assets	\$ 36,569,378	\$ 11,342,921
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	301,570	(130,758)
Net unamortized discount on promises to give and beneficial interest payable	1,585,856	953,079
Net investment gains attributable to beneficial endowments	(240,597)	(149,841)
Depreciation	5,456	3,718
Donation of securities	(3,000,056)	(2,285,212)
Contribution restricted for long-term purposes	(2,463,470)	(584,467)
Changes in assets and liabilities:		
Promises to give	(46,418,146)	(8,187,049)
Accounts payable	25,685	10,405
Beneficial interests payable	18,528,957	1,067,173
Beneficial endowments	2,215,166	367,708
Net cash provided by operating activities	7,109,799	2,407,677
Cash flows from investing activities:		
Acquisition of property and equipment	(5,804)	(18,035)
Proceeds from sales of investments	5,060,271	5,144,353
Net purchases of investments	(8,654,739)	(3,486,298)
Net cash provided (used) by investing activities	(3,600,272)	1,640,020
Cash flows from financing activities		
Investment in permanent endowment	2,463,470	584,467
Increase in cash and cash equivalents	5,972,997	4,632,164
Cash and cash equivalents, beginning of year	4,989,219	357,055
Cash and cash equivalents, end of year	\$ 10,962,216	\$ 4,989,219

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:

Interest	\$ <u> -</u>	\$ <u> 64</u>
Income taxes	\$ <u> -</u>	\$ <u> -</u>

See Notes to Financial Statements

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

Note A - Organization

Nature of Activities

The Catholic Foundation of Santa Clara County (the "Foundation") was incorporated in March 2004 as a non-profit public benefit corporation.

The Foundation's mission is to support financially the educational, spiritual and social needs of the Catholic community of Santa Clara County. It will accomplish its mission by raising endowment and capital funds for the following purposes:

- Support various parish social programs as well as repair and maintenance needs
- Provide increased assistance to schools primarily through increased tuition grants
- Provide for the financial security of retired priests
- Assist Catholic Charities in its efforts to serve those in great need
- Support vocations and seminarian educations and development
- Repair and maintenance of the Cathedral Basilica in San Jose, California
- Assist the Diocese of San Jose to reduce its debt burden

Note B - Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by fund group. However, for the financial statements, transactions are reported by the net asset categories described in Note B under "Categories of Net Assets."

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in securities are stated at fair value, as determined by quoted market prices.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

Note B - Summary of Significant Accounting Policies (continued)

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Promise to Give

The Foundation accounts for promises to give in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under SFAS No. 116, promises to give are either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the promise for performance, at which time the related revenue is recognized. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisor, at which time the revenue is recognized.

Promises to give are recorded at fair value which requires management to reduce the pledge balance for amounts that are considered uncollectible at the time the pledge is recorded. In addition, if the promises to give will be satisfied in more than a year, the pledges have been discounted to present value.

Management established an allowance for uncollectible pledges that is based on management's analysis of the character of the pledges, current economic conditions and other such factors that deserve recognition in estimating losses. The allowance was \$4,197,289 at December 31, 2007.

Categories of Net Assets

The net assets of the Foundation are reported in the following categories:

- *Unrestricted net assets* generally have no donor-imposed restrictions and represent resources over which the Foundation has discretionary control, including those contributions where donor stipulations that are no more specific than the broad limits imposed by the Foundation purpose and nature.
- *Temporarily restricted net assets* include those resources for which donor-imposed restrictions have not been met and funds for which the ultimate purpose of the proceeds is not permanently restricted.
- *Permanently restricted net assets* include those resources which require by donor-imposed restriction that the corpus be invested in perpetuity and only the income be made available for Foundation operations in accordance with donor restrictions, if any. When a donor has restricted the realized/unrealized earnings/losses to be treated in the same manner as the original donation, those earnings/losses are shown as permanently restricted.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

Note B - Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

The Foundation has cash on deposit with a federally insured bank in excess of the \$100,000 maximum amount insured by the Federal Deposit Insurance Corporation.

Restricted and Unrestricted Support

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Functional Allocation of Expenses

The Foundation's mission is to raise funds for distribution within the community. Accordingly, the majority of expenses are allocated to these fundraising activities. The Foundation may hire from time to time consultants to facilitate the raising of funds. The cost of these consultants is included in fundraising expense.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Office equipment	5 years

Additions and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Depreciation expense was \$5,456 and \$3,718 for the years ended December 31, 2007 and 2006, respectively.

Income Taxes

The Foundation is a not-for-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Additionally, the Foundation is exempt from state income taxes under similar tax regulations.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

Note B - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (the FASB) issued Statement No. 157, *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. This statement is effective for fiscal years beginning after November 15, 2007. The Foundation will be required to adopt FASB Statement No. 157 for the year ending December 31, 2008. Management is currently evaluating the requirements of FASB Statement No. 157 and has not yet determined the impact on the financial statement.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115*. This standard permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Foundation will be required to adopt FASB Statement No. 159 for the year ending December 31, 2008. Management is currently evaluating the requirements of FASB Statement No. 159 and has not yet determined the impact on the financial statement.

Reclassifications

Certain reclassifications have been made to prior year amounts to be comparative with the current year's presentation.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

Note C - Investments

At December 31, 2007 and 2006 the following is a summary of investment at fair value:

	<u>2007</u>	<u>2006</u>
Corporate stocks	\$ 5,218,895	\$ 1,168,890
Corporate bonds	1,611,359	-
Mutual funds	546,310	-
International mutual funds	830,739	-
U.S. Government Securities	<u>378,620</u>	<u>1,124,080</u>
Total investments	<u>\$ 8,585,923</u>	<u>\$ 2,292,970</u>

Investment income is summarized as follows for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 530,003	\$ 83,625
Net realized and unrealized gains (losses)	(289,351)	729
Investment expenses	<u>(36,319)</u>	<u>(5,504)</u>
Total investment income	<u>\$ 204,333</u>	<u>\$ 78,850</u>

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

Note D - Promises to Give

Unconditional promises to give represent the remaining pledges due from the donors who have pledged funds to support the Foundation's mission.

Unconditional promises to give at December 31, 2007 and 2006 consist of the following:

	2007	2006
Receivable in less than one year	\$ 16,714,010	\$ 4,543,874
Receivable in one to five years	50,028,806	11,583,507
Receivable in more than five years	-	-
Total unconditional promises to give	66,742,816	16,127,381
Less: unamortized discount on pledges	(4,473,805)	(1,725,159)
Less: allowance for uncollectible pledges	(4,197,289)	-
	<u>\$ 58,071,722</u>	<u>\$ 14,402,222</u>

The unamortized discount on pledges is determined by applying an imputed interest rate of 3.5% on pledges received in 2007 and 5.0% on pledges received in 2006.

Note E - Line of Credit

The Foundation has a revolving line of credit agreement with Heritage Bank of Commerce. Borrowings under the agreement are unsecured, bear interest at the bank's index rate (7.25% at December 31, 2007), and are limited to \$1,000,000. At December 31, 2007, there were no borrowings outstanding against the line of credit.

The agreement requires the Foundation to comply with various financial covenants. At December 31, 2007, management is not aware of any violations of the covenants.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

Note F - Restricted Net Assets

Temporarily restricted net assets are restricted by donors for the purposes described below or for time restrictions. Permanently restricted net assets consist of investments held in perpetuity, the income of which is expendable for the purposes described below as of December 31:

	2007		2006	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Purpose restrictions				
Parish refurbishment endowment	\$ 1,574	\$ 143,808	\$ 873	\$ 122,924
Parish stewardship endowment	(9)	9,747	-	-
Parish outreach endowment	-	22,109	-	-
Seminarian endowment	42,426	1,977,712	5,848	1,075,226
Diaconate training endowment	(4)	18,535	-	-
Clergy retirement endowment	3,884	904,935	-	190,188
Education endowment	101,180	4,118,710	35,011	3,452,903
ILM endowment	475	26,849	-	11,867
Pastoral ministry endowment	(9)	34,277	-	10,145
Youth ministry staff endowment	(9)	24,591	-	-
Young adult ministry endowment	(4)	24,799	-	410
Social justice endowment	(13)	12,844	-	-
New parish fund	286,881	-	260,455	-
Other endowments	1,953	48,217	1,953	40,000
	<u>\$ 438,325</u>	<u>\$ 7,367,133</u>	<u>\$ 304,140</u>	<u>\$ 4,903,663</u>

The permanent restriction on Other endowments was reduced by \$50,000 in 2006 as the donor requested that the amount be included with the Education endowment. Additionally, \$25,000 was reclassified from an unrestricted net asset in 2006 to the Education endowment in 2006 at donor request. The return on permanently restricted endowments has been categorized as temporarily restricted net assets in the accompanying financial statements.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

Note G - Beneficial Interests

A component of the capital campaign is to raise funds for other organizations in order to achieve the Foundation's mission. The Foundation releases the funds after verification by the end of the subsequent quarter following the collection of the funds. At December 31, 2007 and 2006 the beneficial interests were as follows:

	2007	2006
Catholic Charities	\$ 981,814	\$ 938,157
Diocese debt reduction	176,666	508,294
Parish support	20,226,044	370,060
Other	662	662
	21,385,186	1,817,173
Less: unamortized discount on pledges	(1,285,979)	(123,190)
Less: allowance for uncollectible pledges	(1,039,057)	-
	<u>\$ 19,060,150</u>	<u>\$ 1,693,983</u>

Note H - Beneficial Endowments

The Foundation accepts contributions from donors and agrees to transfer those assets, the return on investment of those assets or both, to another entity that is specified by the donor. The Foundation has agreements in place with the beneficiaries to currently retain the corpus and transfer the earnings to the stated beneficiary. These agreements can be modified by the stated beneficiary at any time in the future. The Foundation refers to such funds as beneficial endowments. The following table summarizes the activity in such funds:

	2007	2006
Beginning balance	\$ 1,336,750	\$ 1,118,883
Donations	1,778,262	68,026
Interest and dividends	85,871	33,905
Net realized and unrealized gains on investments	172,549	130,029
Investment expenses	(17,823)	(14,093)
Grants	(44,290)	-
Ending Balance	<u>\$ 3,311,319</u>	<u>\$ 1,336,750</u>

The Cathedral Basilica is the sole beneficiary of the beneficial endowments at December 31, 2007 and 2006.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

Note I - Operating Agreements

Fundraising

The Foundation retained the services of Community Counseling Service (the fundraiser) to provide professional fundraising services and to assist the Foundation in planning, organizing and initializing a major fundraising campaign. The campaign is to raise funds in support of the charitable purposes for which the Foundation was established (see Note A). The Foundation entered into a professional services agreement with the fundraiser to provide these services through August 2007. This Agreement was amended in 2006 to provide for early payment of a portion (\$150,000) of the contract because additional counselors from the fundraiser were placed in service during 2006. The total fee paid in 2007 was reduced by a similar amount. For the years ended December 31, 2007 and 2006, total fees paid to the fundraiser were \$1,000,000 and \$600,000, respectively.

Administrative Services Agreement

The Foundation has entered into an administration services agreement with the Diocese of San Jose. Under the terms of the agreement, the Diocese of San Jose will provide to the Foundation for its benefit property, equipment, clerical, financial and other administrative services as needed by the Foundation to conduct its day-to-day operations. The original agreement was amended in 2007 and may be terminated with 60 days notice by either party. For the years ended December 31, 2007 and 2006, the total amount paid to the Diocese of San Jose in exchange for these services was \$228,485 and \$103,490, respectively.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

Note J - Commitments

Effective January 23, 2006, the Foundation relocated its corporate office to a new facility. The Foundation leases its facility under an operating lease agreement, expiring in December 2008, which requires monthly payments of \$1,678. Total rent expense for the years ended December 31, 2007 and 2006 was \$20,136 and \$19,639, respectively.

The future minimum annual lease payments required under the agreement are \$20,136 for the year ended December 31, 2008.

Note K - Correction of Error

As part of the Foundation's capital campaign they have collected money and promises to give for the Cathedral Basilica. Based upon original information the funds were originally reported as revenue to the Foundation and subsequently it was discovered that they should have been reported as a liability to the Foundation. The result of this correction is a beneficial endowment balance of \$1,336,750 at December 31, 2006. This error has been corrected in these financial statements and the effect is summarized below:

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Net assets, December 31, 2005, as originally reported	\$ 3,004,933	\$ 121,259	\$ 5,294,196	\$ 8,420,388
Correct Cathedral Basilica contributions	<u>-</u>	<u>(118,883)</u>	<u>(1,000,000)</u>	<u>(1,118,883)</u>
Net assets, December 31, 2005, as restated	<u>\$ 3,004,933</u>	<u>\$ 2,376</u>	<u>\$ 4,294,196</u>	<u>\$ 7,301,505</u>
Change in net assets for the year ended December 31, 2006, as originally reported	\$ 10,431,690	\$ 391,921	\$ 737,177	\$ 11,560,788
Correct Cathedral Basilica activity				
Donations	-	-	(67,702)	(67,702)
Investment income	<u>-</u>	<u>(90,157)</u>	<u>(60,008)</u>	<u>(150,165)</u>
Change in net assets for the year ended December 31, 2006, as restated	<u>\$ 10,431,690</u>	<u>\$ 301,764</u>	<u>\$ 609,467</u>	<u>\$ 11,342,921</u>

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

Note L - Capital Campaign Results

In 2004, the Foundation commenced an Endowment and Capital Campaign intended to:

- Provide endowments for education, priest retirement, seminarians, Diaconate formation, The Institute for Leadership in Ministry, pastoral ministry training and formation, youth and young adult ministry, recruitment and training, social justice education.
- Provide capital for Catholic Charities, Diocesan debt reduction.
- Provide for all expenses relating to the Campaign.
- Excess funds over the Campaign goal will be shared with the Parishes.

All donations, pledges and expenses relating to the Campaign are included in the financial statements of the Foundation. Contributions for the benefit of Catholic Charities, reduction of long term debt of the Diocese of San Jose and direct parish support are not included in revenues but are shown as liabilities to those entities and are classified as beneficial interest payable in the accompanying balance sheet. In addition contributions for the benefit of the Cathedral Basilica have been classified as a beneficial endowment.

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

Note L - Capital Campaign Results (continued)

As of December 31, 2007, the cumulative campaign results are as follows:

Total amount raised (contributions and pledges)	
Cathedral Basilica endowment	\$ 2,882,477
Catholic Charities	1,512,450
Clergy retirement endowment	1,069,172
Diocese debt reduction	576,316
Diaconate training endowment	21,416
Education endowment	4,369,031
ILM endowment	28,628
New Parish fund	271,161
Parish outreach endowment	25,821
Parish repair and maintenance endowment	146,049
Parish stewardship endowment	11,160
Pastoral ministry endowment	37,725
Seminarian endowment	2,120,334
Social justice education endowment	13,966
Unrestricted endowment	62,502
Young adult ministry endowment	28,991
Youth ministry staff endowment	29,041
Unrestricted funds	<u>88,289,068</u>
Subtotal	101,495,308
Less: Initial adjustment to fair value	(3,404,131)
Less: Net present value discounts	(3,187,826)
Less: Beneficial interests	(25,396,979)
Less: Beneficial endowments	<u>(2,846,288)</u>
Total cumulative campaign revenue	<u>\$ 66,660,084</u>
Total cumulative fundraising expenses	<u>\$ 3,048,150</u>
Total cumulative cash received from contributors	<u>\$ 30,087,031</u>
Total cumulative distributions	<u>\$ 8,074,606</u>

The following are intentions to give that have not been recognized in the financial statements because they do not meet the requirements of unconditional promises to give:

Land for new parishes	\$ 5,000,000
Beneficial interests in charitable remainder trusts	6,500,000
Parish guarantee	<u>1,054,000</u>
	<u>\$ 12,554,000</u>

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
SUPPLEMENTARY FINANCIAL INFORMATION
For the Years Ended December 31, 2007 and 2006

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Directors of
The Catholic Foundation of Santa Clara County
San Jose, California

Our report on our audit of the basic financial statements of The Catholic Foundation of Santa Clara County as of December 31, 2007 and 2006, appears on page one. The audit was made for the purposes of forming an opinion on the basic financial statements taken as a whole.

Schedule of Temporary and Permanently Restricted Activities on the following page is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

Delucchi, Hawn & Co., LLP

San Jose, California
July 11, 2008

THE CATHOLIC FOUNDATION OF SANTA CLARA COUNTY
SCHEDULE OF TEMPORARILY AND PERMANENTLY RESTRICTED ACTIVITIES
For the Year Ended December 31, 2007

	Parish Repair	Parish Stewardship	Parish Outreach	Seminarian	Diaconate Training	Clergy Retirement	Education	ILM	Pastoral Ministry	Youth Ministry	Youth Adult Ministry	Social Justice	New Parish	Other	Total
Revenues, gains and other support															
Donations	\$ 21,546	\$ 10,182	\$ 23,252	\$ 999,811	\$ 19,418	\$ 799,639	\$ 841,193	\$ 15,471	\$ 25,604	\$ 25,903	\$ 25,666	\$ 13,190	\$ 16,090	\$ 8,753	\$ 2,845,718
Investment income, net	702	(9)	-	36,579	(4)	3,883	66,168	475	(9)	(8)	(4)	(14)	11,210	-	118,969
Other adjustments															
Uncollectible pledges	(663)	(435)	(1,143)	(97,326)	(883)	(84,891)	(175,385)	(489)	(1,472)	(1,313)	(1,277)	(345)	(874)	(536)	(367,032)
Change in net assets	21,585	9,738	22,109	939,064	18,531	718,631	731,976	15,457	24,123	24,582	24,385	12,831	26,426	8,217	2,597,655
Net assets, beginning of year	123,797	-	-	1,081,074	-	190,188	3,487,914	11,867	10,145	-	410	-	260,455	41,953	5,207,803
Net assets, end of year	<u>\$ 145,382</u>	<u>\$ 9,738</u>	<u>\$ 22,109</u>	<u>\$ 2,020,138</u>	<u>\$ 18,531</u>	<u>\$ 908,819</u>	<u>\$ 4,219,890</u>	<u>\$ 27,324</u>	<u>\$ 34,268</u>	<u>\$ 24,582</u>	<u>\$ 24,795</u>	<u>\$ 12,831</u>	<u>\$ 286,881</u>	<u>\$ 50,170</u>	<u>\$ 7,805,458</u>
Net assets are classified as follows:															
Temporarily restricted	\$ 1,574	\$ (9)	\$ -	\$ 42,426	\$ (4)	\$ 3,884	\$ 101,180	\$ 475	\$ (9)	\$ (9)	\$ (4)	\$ (13)	\$ 286,881	\$ 1,953	\$ 438,325
Permanently restricted	143,808	9,747	22,109	1,977,712	18,535	904,935	4,118,710	26,849	34,277	24,591	24,799	12,844	-	48,217	7,367,133
Net assets, end of year	<u>\$ 145,382</u>	<u>\$ 9,738</u>	<u>\$ 22,109</u>	<u>\$ 2,020,138</u>	<u>\$ 18,531</u>	<u>\$ 908,819</u>	<u>\$ 4,219,890</u>	<u>\$ 27,324</u>	<u>\$ 34,268</u>	<u>\$ 24,582</u>	<u>\$ 24,795</u>	<u>\$ 12,831</u>	<u>\$ 286,881</u>	<u>\$ 50,170</u>	<u>\$ 7,805,458</u>

See Notes to Financial Statements