

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Community Foundation in
the Archdiocese of Saint Paul and Minneapolis
St. Paul, Minnesota

We have audited the accompanying consolidated statements of financial position of Catholic Community Foundation in the Archdiocese of Saint Paul and Minneapolis (Catholic Community Foundation) as of June 30, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Catholic Community Foundation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Foundation at June 30, 2008 and 2007, 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.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 16, 2008

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

	2008	2007
ASSETS		
Cash and Cash Equivalents	\$ 1,088,963	\$ 247,276
Receivables:		
Management Fee	48,748	65,488
Interest	174,244	159,622
Contributions	1,019,901	973,607
From Sale of Contributed Asset	753,544	-
Beneficial Interest in Lead Trust	238,807	282,764
Other	309,773	5,437
Interest in Net Assets of Growing in Faith Capital Campaign	-	996,979
Investments	159,660,137	171,585,906
Collateral - Securities Lending Agreement	20,084,687	24,387,005
Payable - Securities Lending Agreement	(20,385,502)	(24,387,005)
Assets Held in Charitable Remainder Trusts	12,800,491	15,078,524
Cash Surrender Value of Life Insurance	2,163,730	2,013,639
Property and Equipment, Net	143,883	162,563
 Total Assets	 \$ 178,101,406	 \$ 191,571,805
LIABILITIES AND NET ASSETS		
Liabilities:		
Notes Payable	\$ 97,964	\$ 105,873
Accounts Payable	232,525	127,794
Accrued Custodial and Investment Fees	172,651	221,862
Agency Funds	69,782,964	78,813,919
Beneficiary Endowments	14,201,188	11,389,580
Charitable Gift Annuity and Charitable Remainder Trust Obligations	8,228,693	7,968,711
Total Liabilities	92,715,985	98,627,739
Net Assets:		
Unrestricted	30,106,533	29,381,491
Temporarily Restricted	23,038,111	30,947,725
Permanently Restricted	32,240,777	32,614,850
Total Net Assets	85,385,421	92,944,066
 Total Liabilities and Net Assets	 \$ 178,101,406	 \$ 191,571,805

See accompanying Notes to Consolidated Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 9,214,038	\$ -	\$ 619,967	\$ 9,834,005
Management Fees	194,082	-	-	194,082
Investment Income	515,288	749,343	-	1,264,631
Net Unrealized and Realized Gains (Loss) on Investments	(3,628,030)	(4,329,786)	-	(7,957,816)
Gain (Loss) in Value of Split-Interest Agreements, Net	310,521	(978,832)	(994,040)	(1,662,351)
Release from Restrictions	2,501,061	(2,501,061)	-	-
Total Revenue, Gains and Other Support	9,106,960	(7,060,336)	(374,073)	1,672,551
GRANTS AND EXPENSES				
Grants and Expenses:				
Family of Faith	1,572,046	-	-	1,572,046
Seminary	342,200	-	-	342,200
Parish and School	4,530,303	-	-	4,530,303
Community Service	464,527	-	-	464,527
Total Grants and Expenses	6,909,076	-	-	6,909,076
Operating Expenses:				
Development	972,057	-	-	972,057
Management and General	500,785	-	-	500,785
Total Operating Expenses	1,472,842	-	-	1,472,842
Total Grants and Expenses	8,381,918	-	-	8,381,918
CHANGE IN INTEREST IN NET ASSETS OF GROWING IN FAITH CAPITAL CAMPAIGN				
	-	(849,278)	-	(849,278)
CHANGE IN NET ASSETS	725,042	(7,909,614)	(374,073)	(7,558,645)
Net Assets - Beginning of Year	29,381,491	30,947,725	32,614,850	92,944,066
NET ASSETS - END OF YEAR	\$ 30,106,533	\$ 23,038,111	\$ 32,240,777	\$ 85,385,421

See accompanying Notes to Financial Statements.

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 5,000,609	\$ 45,485	\$ 1,548,510	\$ 6,594,604
329,135	-	-	329,135
658,348	652,939	-	1,311,287
4,232,655	7,428,768	-	11,661,423
(230,299)	530,909	492,871	793,481
<u>2,496,001</u>	<u>(2,496,001)</u>	<u>-</u>	<u>-</u>
12,486,449	6,162,100	2,041,381	20,689,930
1,673,587	-	-	1,673,587
335,801	-	-	335,801
3,792,071	-	-	3,792,071
464,715	-	-	464,715
<u>6,266,174</u>	<u>-</u>	<u>-</u>	<u>6,266,174</u>
794,413	-	-	794,413
477,951	-	-	477,951
<u>1,272,364</u>	<u>-</u>	<u>-</u>	<u>1,272,364</u>
7,538,538	-	-	7,538,538
<u>-</u>	<u>(118,627)</u>	<u>-</u>	<u>(118,627)</u>
4,947,911	6,043,473	2,041,381	13,032,765
<u>24,433,580</u>	<u>24,904,252</u>	<u>30,573,469</u>	<u>79,911,301</u>
<u>\$ 29,381,491</u>	<u>\$ 30,947,725</u>	<u>\$ 32,614,850</u>	<u>\$ 92,944,066</u>

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (7,558,645)	\$ 13,032,765
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	25,295	21,519
Contributions Received, Held for Long-Term Investment	(619,967)	(1,495,174)
Change in Cash Surrender Value of Insurance Policies	(150,091)	(177,456)
Net Realized and Unrealized (Gain) Loss on Investments	7,957,816	(11,661,423)
(Gain) Loss in Value of Split Interest Agreements and Other	1,662,351	(793,481)
Change in Assets and Liabilities		
Management Fee Receivable	16,740	(42,577)
Interest Receivable	(14,622)	150,869
Contributions and Other Receivable	(735,801)	(38,488)
Beneficial Interest in Lead Trust	43,957	43,597
Other Receivable	(304,336)	(859)
Interest in Net Assets of Growing in Faith Capital Campaign	849,278	118,627
Accounts Payable	104,731	83,460
Accrued Fees	(49,211)	40,815
Grants Payable	-	(373,992)
Agency and Beneficiary Endowment Deposits	11,838,600	4,815,435
Agency and Beneficiary Endowment Withdrawals	(10,094,249)	(7,114,545)
Net Cash Provided (Used) by Operating Activities	2,971,846	(3,390,908)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Distributions from Growing in Faith Capital Campaign	147,701	501,097
Proceeds from Sale of Investments	197,093,223	110,535,655
Purchase of Investments	(200,172,471)	(109,547,689)
Purchases of Equipment	(6,615)	(9,273)
Net Cash Provided (Used) by Investing Activities	(2,938,162)	1,479,790
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Received, Held for Long-Term Investment	555,930	1,495,174
Additions to Annuity and Trust Agreement Obligations	729,855	543,712
Payments on Annuities and Trust Obligations	(469,873)	(493,021)
Payments on Notes Payable	(7,909)	(7,599)
Net Cash Provided by Financing Activities	808,003	1,538,266
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	841,687	(372,852)
Cash and Cash Equivalents - Beginning of Year	247,276	620,128
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,088,963	\$ 247,276
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Agency and Beneficiary Endowment Unrealized/Realized Gains and Losses and Fees	\$ (7,963,697)	\$ 13,210,039
Noncash Contributions	\$ 1,472,238	\$ 446,200
Cash Paid for Interest	\$ 4,090	\$ 4,400

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 1 ORGANIZATION

Nature of Organization

The Catholic Community Foundation in The Archdiocese of Saint Paul and Minneapolis (the "Foundation") was incorporated in November 1992 and commenced operations in July 1993 with the mission to support financially, the spiritual, educational and social needs of the Catholic community. The Foundation fulfills this mission by:

1. Seeking endowment funds that support its mission.
2. Helping donors achieve their charitable and financial goals.
3. Helping parishes, schools, and Catholic organizations meet their long-term financial needs.
4. Providing responsible and effective financial management.
5. Distributing earnings according to community priorities and donor intent.

Programs

The Foundation accomplishes its mission through the following programs.

Endowments

The endowment funds are recorded as net assets on the statement of financial position.

The Family of Faith Endowments provides income for Catholic schools, religious education, ministerial enrichment, and social outreach programs within the Archdiocese of Saint Paul and Minneapolis (the "Archdiocese").

The Seminary Endowments provide tuition support for the spiritual and educational development for those in ministry.

Parish and School Endowments provide tuition aid and program support for parishes and schools within the Archdiocese.

Community Service Endowments are established to provide support for social needs in the community.

Split Interest Agreements – Charitable Gift Annuities and Charitable Remainder Trusts

Charitable gift annuities and charitable remainder trusts are offered to donors wishing to make a deferred gift to the Family of Faith endowments, parish and school endowments, operating funds, or other charitable causes. Donors receive life income payments and the gift remainder is restricted for Foundation endowments or other charitable causes. Net earnings on charitable remainder trust investments in excess of the payments made to donors are also restricted for Foundation endowment programs or other charitable causes selected by the donor in the original gift instrument.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 1 ORGANIZATION (CONTINUED)

Programs (Continued)

Donor Advised Funds

The Foundation offers funds whereby the donor has the privilege of recommending, and the Foundation has final authority of selecting, within the mission and the policies of the Foundation, the grant recipients. These funds may be established as endowments or may be provisional funds, in which instance both principal and income may be expended. Community service grants from donor advised funds are disbursed to various organizations to provide support for social needs in the community.

Agency Funds

The Foundation manages funds as an agent for parishes, schools and service organizations within the Archdiocese and in other Minnesota dioceses. As agent, the Foundation establishes, manages, and invests the funds in the organization's name. Distributions are made in accordance with the agency agreements or directions from the organization. Either party may cancel an agency agreement at any time.

Beneficiary Endowments

Beneficiary endowments represent funds that have been legally transferred to the Foundation for the long-term investment purposes in which the transferring organization is the beneficiary. These funds are generally recorded as liabilities on the statement of financial position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are presented on a consolidated basis. Effective December 12, 2007 the Foundation obtained control through voting rights of the Arthur J. Popehn Family Foundation, a supporting organization of the Foundation. The acquisition of the Arthur J. Popehn Family Foundation has been accounted for using the purchase method of accounting and only those activities subsequent to December 12, 2007 are included in the consolidated financial statements. The fair value of the acquired is approximately \$1,162,000 and has been included in contributions. The net assets of the Arthur J. Popehn Family Foundation are included in the unrestricted net assets of the Foundation. Intercompany transactions have been eliminated in consolidation.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted - Resources over which the board of directors has discretionary control. Designated amounts represent those revenues, which the Board has set aside for a particular purpose.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted - Those resources subject to donor imposed restrictions, which will be satisfied by actions of the Foundation or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation. The donors of these resources permitted the Foundation to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

Financial Statement Presentation (Continued)

Certain trust agreements contain variance power language which allows the Foundation to redirect the use of funds to third parties other than those designated in the original trust agreements if the Foundation determined that the originally designated third parties were no longer in operation or were operating in a manner inconsistent with the teachings of the Catholic Church.

These financial statements are limited to the fair presentation of the financial position and activities of the Foundation. These statements do not include the accounts and activities of the Archdiocese, or other organizations within the Archdiocese community, which are separate legal entities apart from the Foundation.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents included in investments on the statement of financial position are not available for use in operations and are not considered cash for the purpose of presenting cash flows. The Foundation maintains its cash accounts primarily at one financial institution. At times throughout the year, the Foundation's cash and equivalents balances may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. Included in cash is a money market account totaling approximately \$895,000 and \$164,000 at June 30, 2008 and 2007, respectively.

Investments

Investments are carried at fair value, generally based on quoted market values. Donated investments are initially recorded at market value on the date of donation and thereafter reported in accordance with the above provisions. Realized and unrealized gains and losses for investments, other than agency obligations, beneficiary endowments, and charitable remainder trusts, are recorded in the statement of activities. Investment income and gains and losses on agency obligations and beneficiary endowment investments are reported as a direct increase or decrease to the obligations on the statement of financial position. Investment income and gains and losses for charitable remainder trusts are recorded within the trust activity.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The Foundation invests most of the endowments and agency funds in three investment pools managed by various investment managers exclusively for the Foundation. Investment income and realized and unrealized gains and losses from investments within the investment pools as well as investment costs are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pool as adjusted for additions to or distributions from those funds.

For the purpose of evaluating annual distributions from endowed funds, the Foundation has a policy to recognize changes in the purchasing power of the historical value of contributions. Adjustments for fiscal years are based on the Gross Domestic Product (GDP) deflator rate of 2.43% for the year ended June 30, 2007, 4.72% for the year ended June 30, 2006, and 2.42% for the year ended 2005.

Investment Income

The Foundation accounts for investment income recorded in the statement of activities, including gains and losses on investments, as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions related to the original contribution. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of donor restrictions.

Property and Equipment

Property and Equipment are stated at the lower of cost or estimated fair value. Depreciation and amortization are provided over estimated useful lives (shorter of asset life or lease term for leasehold improvements) by use of the straight-line method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized.

Contributions Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation provides an allowance for uncollectible contributions based on management's best estimate.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Foundation accepts gifts of life insurance whereby a donor designates the Foundation as a full or partial beneficiary of a life insurance policy or transfers all incidence of ownership in a policy to the Foundation. The majority of these gifts represent permanently restricted contributions for the Family of Faith Endowment.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Development costs as shown in the accompanying statement of activities represent the Foundation's cost of fund-raising activities.

Interest in Net Assets of Growing in Faith Capital Campaign

The Foundation is a member of the Growing in Faith Capital Campaign Association in the Archdiocese of Saint Paul and Minneapolis, which was formed in September 2000. The equity interest that has been recorded represents the Foundation's share of the Growing in Faith Capital Campaign Association's net assets as of June 30, 2007. During fiscal 2008, the Foundation determined it no longer had a remaining interest in the Campaign (see Note 15).

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Foundation is a non-private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

At June 30, 2008 and 2007, the fair value of all financial instruments approximates carrying value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Receivables and Accounts Payable - The carrying value of cash and cash equivalents, receivables and accounts payable approximates fair value due to the short-term nature of these instruments.

Contributions Receivable - Carrying value, which approximates fair value, is based on the face amount of the gift, time remaining to maturity, and the interest rate applicable to determine the net present value of the receivable at June 30 (see Note 6).

Beneficial Interest in Lead Trust - Carrying value, which approximates fair value, is based on the face amount of the gift, time remaining to maturity, and the interest rate applicable to determine the net present value of the receivable at June 30 (see Note 8).

Investments - Fair value is based on quoted market prices at the reporting date. Donated investments are initially recorded at market value on the date of donation and thereafter reported in accordance with the above provisions.

Notes Payable - The fair value of notes payable is estimated based on the current rates offered for debt of similar terms and maturities. Under this method, the carrying value of the Academy's long-term debt approximates fair value at June 30.

Obligations for Agency Funds and Endowments - Carrying value, which approximates fair value, of obligations for agency funds and beneficiary endowments is based on the related fair values of investments discussed above and the beneficiaries' shares of the related investment assets.

Obligations for Charitable Gift Annuities and Remainder Trusts - Carrying value, which approximates fair value, of obligations of charitable gift annuities and charitable remainder trusts is based on the life expectancies of the beneficiaries, mortality tables, and interest rates imputed at the inception date of the obligations (see Note 7).

Financial Instruments and Concentration of Credit Risk

The Foundation holds its investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the Foundation's investment holdings and the amounts reported on the statements of financial position.

**CATHOLIC COMMUNITY FOUNDATION IN
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In September 2006, The Financial Accounting Standards Board ("FASB") issued FASB No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement emphasizes that fair value is a market-based measurement, not an entity-specific measurement. The implementation of this standard is required to be adopted in financial statements for periods beginning after November 15, 2007. The Foundation plans to adopt this standard in its financial statements for the year ending June 30, 2009.

In August 2008 the FASB released FASB Staff Position 117-1 (FSP 117-1) which provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. UMPIFA became law in the State of Minnesota effective August 1, 2008. FSP 117-1 will be effective for the Foundation for the year ending June 30, 2009 and may result in significant reclassifications of net assets. The impact of these reclassifications has not been determined.

NOTE 3 INVESTMENTS

Investment securities, which are managed and held in safekeeping by others, are recorded at fair market value. A significant portion of the investments are held in four investment pools. Agency funds, beneficiary endowments, and other endowments are invested in three of the investment pools, and charitable gift annuities are invested in a fourth pool. Charitable remainder trusts, certain agency funds and donor advised funds are separately invested.

Investments consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 15,675,244	\$ 4,231,661
United States Government Securities	2,687,920	2,177,692
Corporate Bonds	33,165,992	26,311,110
Corporate Stocks	105,651,951	139,303,823
Real Estate Insurance Trust	15,453,765	14,799,766
Totals	<u>\$ 172,634,872</u>	<u>\$ 186,824,052</u>
As Presented on the Balance Sheet:		
Investments	\$ 159,660,137	\$ 171,585,906
Assets Held in Charitable Remainder Trust	12,800,491	15,078,524
Interest Receivable	174,244	159,622
	<u>\$ 172,634,872</u>	<u>\$ 186,824,052</u>

**CATHOLIC COMMUNITY FOUNDATION IN
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 3 INVESTMENTS (CONTINUED)

Amounts invested for agency depository funds and for long-term purposes at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Agency Funds	\$ 64,420,778	\$ 73,400,536
Long-Term Investments:		
Beneficiary Endowments	13,891,134	11,384,379
Charitable Gift Annuities	7,725,766	7,934,043
Charitable Remainder Trusts	12,800,491	15,078,524
Endowment and Other	73,796,703	79,026,570
Totals	<u>\$ 172,634,872</u>	<u>\$ 186,824,052</u>

Individual investments that exceeded 5% of the Foundation's net assets at year-end were as follows:

	<u>2008</u>	<u>2007</u>
Wells Fargo Small Company Growth Fund	\$ -	\$ 10,614,963
LSV International Value Equity Fund LP	7,660,392	15,067,421
Delaware Pooled International Equity Fund	-	12,758,250
Bailard REIT, Inc,	7,156,966	6,853,846
Prudential PRISA Fund	7,965,397	7,447,908
Core Plus Fixed Income	9,902,648	22,203,531
Loomis Sayles	9,289,729	-
Brandywine Global	9,462,625	-
Artio Global	8,257,441	-

The Wells Fargo Small Company Growth Fund consists of underlying individual securities of which none exceed 1.5% of the total Wells Fargo Fund. The LSV International Value Equity Fund Limited Partnership represent many securities in developed countries outside of the U.S. Delaware Pooled International Equity Fund normally invests at least 80% of its net assets in equity securities. Bailard REIT, Inc. and the Prudential PRISA Fund are equity based Real Estate Income Trusts which consist of a diversified portfolio of commercial property. Core Plus Fixed Income Fund focuses on security selection, sector rotation, and yield curve positioning, while diversifying with respect to risk exposure. Loomis Sayles seeks high current income with a secondary objective of capital growth. They invest in income-producing securities, including below-investment-grade bonds. Brandywine Global invests in global bonds with the highest real yield, managing currency to protect and increase return, rotating among countries and controlling risk by purchasing undervalued securities. Artio Global's investment management is driven by dynamic sector and company fundamental analysis. Their process uses global fundamental analysis to establish relative values and priorities. They use a bottom-up approach for developed markets, top-down approach for emerging markets, and a hybrid approach for Japan.

**CATHOLIC COMMUNITY FOUNDATION IN
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS (CONTINUED)

Investment income and net appreciation or depreciation in investments of agency depository funds and beneficiary endowments are recorded as additions or deductions to the agency deposit or beneficiary endowment liability. Investment income earned on the agency deposit and beneficiary endowments investments was \$1,853,872 and \$1,621,146 for the years ended June 30, 2008 and 2007, respectively. The market value of agency deposit and beneficiary endowments investments depreciated in value by \$9,184,296 for the year ended June 30, 2008. The market value of agency deposit and beneficiary endowments investments appreciated in value by \$12,204,970 for the year ended June 30, 2007.

The Foundation charges the various agency programs a quarterly management fee as reimbursement for certain administrative and investment costs. These fees are charged to the programs based on market value of their investments. In the accompanying statement of activities, management fees are as follows:

	2008	2007
Management Fees Charged on Agency and Beneficiary Endowments	\$ 101,084	\$ 248,590
Management Fees Charges on Trusts	92,998	80,545
Net Management Fee Income	\$ 194,082	\$ 329,135

Management fees charged on owned assets, other than trusts, were \$996,402 and \$955,110 as of June 30, 2008 and 2007, respectively. These fees have been eliminated from the revenue and expense in the statement of activities.

Investment fees charged on all funds were \$949,898 and \$837,034 for the years ended June 30, 2008 and 2007, respectively.

NOTE 4 SECURITIES LENDING

The Foundation participates in a securities lending program run by its custodial bank. Under the program the Foundation lends its investment securities to registered broker-dealers. Interest and dividends on the loaned securities revert to the Foundation. The borrower must provide collateral in the form of cash, U.S. Government securities or a bank letter of credit in an amount equal to or in excess of the loaned security's value. The cash collateral is then reinvested on behalf of the Foundation by the custodial bank. The Foundation receives payment of a portion of earnings from the securities purchased with the cash-collateral. The amount of collateral held is adjusted daily based on market value changes of the loaned security. The borrower must return identical securities to close the loan at which time the collateral will be returned. Collateral is held by the investment custodian and is immediately available upon default. The custodial bank is responsible for the return of any borrowed securities. The Foundation is responsible for returning the amount of cash received as collateral and as such bears the market and credit risk for securities purchased with the cash received as collateral.

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NOTE 4 SECURITIES LENDING (CONTINUED)

The valuations of the collateral pool are provided to the Foundation by the custodial bank. For purposes of determining the values of collateral investments reflected on the consolidated statement of financial position the custodial bank uses financial models or other inputs where quoted prices in an active market are not available. Such valuations are estimates and are subject to uncertainties, and accordingly do not reflect the amounts that would necessarily be realized in a current sale.

As of June 30, 2008 and 2007 the Foundation had securities with a fair value of \$19,397,832 and \$23,508,182 on loan. At June 30, 2008 the fair value of the Foundation's portion of the collateral asset pool was \$20,084,687 compared with the Foundation's obligation to return collateral of \$20,385,502. As a result, the Foundation recorded an unrealized loss related to the securities lending program of \$300,815 during the year ended June 30, 2008. At June 30, 2007 the fair value of investments held as collateral and the Foundation's obligation for collateral was \$24,387,005.

NOTE 5 LIFE INSURANCE

The Foundation is owner and beneficiary of 38 life insurance policies with a total face value at June 30, 2008 and 2007 of approximately \$16,664,800. Cash surrender values at June 30, 2008 and 2007 totaled \$2,163,730 and \$2,013,639, respectively.

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at their estimated fair value, calculated using a present value factor of 4%. Expected collections of contributions receivable in future periods are as follows:

	<u>2008</u>	<u>2007</u>
Unconditional Promise to Give Before Unamortized		
Discount and Allowance for Uncollectibles	\$ 1,500,000	\$ 1,500,000
Less: Unamortized Discount	<u>(480,099)</u>	<u>(526,393)</u>
Net Contributions Receivable	<u>\$ 1,019,901</u>	<u>\$ 973,607</u>

The contribution receivable balance at June 30, 2008 and 2007 is from one donor and is not expected to be collected within the next 5 years. The present value of the pledge is based on the life expectancy of the donor providing funds to the family foundation making the pledge to the Foundation.

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NOTE 7 RECEIVABLE FROM SALE OF DONATED ASSETS

Amounts receivable from the sale of donated assets bear interest at 8%. Expected future payments are as follows.

	<u>2008</u>	<u>2007</u>
Amounts Due In:		
Less Than One Year	\$ 109,440	\$ -
One to Five Years	644,104	-
Totals	<u>\$ 753,544</u>	<u>\$ 1,500,000</u>

NOTE 8 SPLIT-INTEREST AGREEMENTS – CHARITABLE GIFT ANNUITY AND CHARITABLE REMAINDER TRUST OBLIGATIONS

The Foundation has entered into various charitable gift annuities and charitable remainder trust agreements with its donors. The Foundation is obligated to make payments to the annuitants and trust recipients for the remainder of their lives. The contributed funds for charitable gift annuities immediately become part of the general assets and liabilities of the Foundation. The Foundation's policy directs 100% of the asset value of annuities to be invested in a separate fund.

Assets received are recorded at fair value on the date the agreement or trust is recognized, and a liability is recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables. The difference between the fair value of assets contributed and obligations recorded is recognized as contribution revenue, which totaled \$134,973 and \$125,447 in 2008 and 2007, respectively. The various deferred gift obligations have imputed interest rates between 5% and 10%.

The gain (loss) in value of split interest agreements consists of the following for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Investment Income	\$ 399,884	\$ 356,262
Net Realized Gains on Charitable Remainder Trusts	100,981	469,689
Net Unrealized Gains on Charitable Remainder Trusts	(1,224,163)	937,889
Amortization of Discount on Charitable Remainder Trusts and Charitable Gift Annuities	(623,981)	(597,108)
Management Fees	(92,998)	(80,545)
Actuarial Adjustment	(222,074)	(292,706)
Totals	<u>\$ (1,662,351)</u>	<u>\$ 793,481</u>

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NOTE 9 CHARITABLE LEAD TRUST

During 2003, a donor established a trust with a local bank naming the Foundation as a lead beneficiary of a charitable lead trust. Under the terms of the split-interest agreement, the Foundation is to receive 6% of the trust assets for 10 years. The trust assets are valued at the beginning of the calendar year and the distributions are made quarterly. At the time of termination, the remaining assets are to be distributed to others. Using a discount rate of 4%, the present value of future benefits to be received by the Foundation was estimated to be \$238,807 and \$282,764 at June 30, 2008 and 2007, respectively, and was reported as a permanently restricted contribution. The Foundation received payments from the trust totaling \$60,231 and \$58,445 during the years ended June 30, 2008 and 2007, respectively.

NOTE 10 NOTES PAYABLE

The Foundation has a note payable requiring monthly payments of \$1,000 including interest at 4%. At June 30, 2008, there was \$97,964 owed under this agreement.

Maturities of the note payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 8,231
2010	8,567
2011	8,916
2012	9,279
2013	9,657
Thereafter	53,314
Total	<u>\$ 97,964</u>

NOTE 11 LEASES

The Foundation is committed under long-term operating leases for the rental of office space and office equipment. The terms of the leases range from three to five years.

Future minimum lease payments required under the above-described warehouse facility lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 100,236
2010	122,589
2011	130,800
2012	132,218
2013	134,289
2014	32,567
Total	<u>\$ 652,699</u>

Rent expense for the years ended June 30, 2008 and 2007 was \$55,452 and \$53,647, respectively.

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NOTE 12 NET ASSETS

Permanently restricted net assets are limited by donor-imposed stipulations to invest the principal in perpetuity and to expend the income for program activities. Temporarily restricted net assets are limited by donor restrictions to support certain program activities and include the undistributed income from and net appreciation on the restricted endowment accounts. Unrestricted net assets have no donor-imposed restrictions.

Permanently restricted net assets represent endowment funds established for the following purposes at June 30, 2008 and 2007:

	Permanently Restricted	
	2008	2007
Family of Faith Program	\$ 18,932,269	\$ 18,684,484
Seminary Program	4,386,755	4,386,755
Parish, School and Community Service	4,540,256	4,366,661
Donor Advised	287,761	285,556
Charitable Gift Annuities Contribution	897,294	713,544
Charitable Trusts	3,196,442	4,177,850
	<u>\$ 32,240,777</u>	<u>\$ 32,614,850</u>

Temporarily restricted net assets are available for the following purposes at June 30, 2008 and 2007:

	Temporarily Restricted	
	2008	2007
Family of Faith Program	\$ 4,631,401	\$ 7,403,173
Seminary Program	4,312,483	5,447,916
Parish, School and Community Service	605,232	1,284,165
Donor Advised	88,852	125,215
Charitable Gift Annuities Contribution	875,022	1,512,937
Charitable Trusts	868,278	1,164,248
Growing in Faith Capital Campaign (Catholic Education)	11,656,843	14,010,071
	<u>\$ 23,038,111</u>	<u>\$ 30,947,725</u>

Unrestricted net assets, subject to the ultimate discretion of the Foundation's directors amounted to \$30,407,348 and \$29,381,491 for the years ended June 30, 2008 and 2007, respectively. Included in unrestricted net assets are approximately \$23,647,000 and \$23,513,000 of donor advised funds as of June 30, 2008 and 2007, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has ultimate discretion of these funds.

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NOTE 13 SATISFACTION OF DONOR RESTRICTIONS

Temporarily restricted net assets of \$2,501,061 and \$2,496,001 were used in accordance with donor restrictions and recorded as program expenses for the years ended June 30, 2008 and 2007, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

The Foundation, whose mission is to support the needs of the Catholic Community, is related to the Archdiocese of Saint Paul and Minneapolis, Central Corporation through some common directors who are a minority of the Foundation board.

The Foundation distributed grants to specific programs of the Archdiocese of Saint Paul and Minneapolis totaling \$404,235 and \$410,927 from beneficiary endowments and net asset accounts in 2008 and 2007, respectively.

The Foundation participates in the defined benefit pension plan sponsored by the Archdiocese and organized as a trust with an independent trustee board, for all lay employees of certain organizations related to the Archdiocese who are full-time and have completed one year of service, and are at least 21 years of age. The actuarial present values of accumulated plan benefits and net assets available for benefits are not available on an individual organization participation basis. The contributions for the plan are expensed as incurred. Contributions to the pension plan in 2008 and 2007 were \$35,445 and \$29,123, respectively.

The Foundation also participates in a Medical Benefit Plan, sponsored by the Archdiocese and organized as a trust, which provides medical benefits for full-time employees of certain organizations related to the Archdiocese. Medical insurance expense was \$93,920 and \$80,472 in 2008 and 2007, respectively.

The Foundation has entered into agreements with parishes and schools within the Archdiocese for management of endowment and investment funds.

During the year ended June 30, 2006, the Foundation contracted with a company for construction of leasehold improvements. The President and CEO of this company is the spouse of a former Foundation board member. At June 30, 2008 and 2007, the Foundation had a note payable to the company with an outstanding balance of \$97,964 and \$105,873, respectively.

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NOTE 15 GROWING IN FAITH CAPITAL CAMPAIGN

The Foundation is a member of the Growing in Faith Capital Campaign, (The Campaign is an Association with the following participating organizations, the 1) Archdiocese of Saint Paul and Minneapolis, including Parishes and schools, 2) Catholic Finance Corporation, 3) Catholic Charities, 4) Catholic Community Foundation, and the 5) Cathedral of Saint Paul) that was formed in September 2000 for the benefit of the participating organizations and parishes within the Archdiocese of Saint Paul and Minneapolis. Selected members of management of the Catholic Community Foundation act as fiscal managers to the Campaign Association; responsible for maintaining its books of account, collecting cash, recording of pledges and distributing funds to the participants. The Campaign Association is under the direction and control of the Archbishop of the Archdiocese of Saint Paul and Minneapolis. It is expected that the Growing in Faith Capital Campaign will receive contributions generally from parish members within the Archdiocese of Saint Paul and Minneapolis. The Foundation is expected to receive approximately 13% of the contributions of the campaign.

During 2008, the Foundation determined the Foundation had no remaining interest in the Growing in Faith Capital Campaign. The Foundation received \$147,701 in distributions from the Campaign in fiscal 2008 and wrote-off their remaining balance of \$849,278. The following schedule represents the Growing in Faith Capital Campaign and the Foundation's interests at June 30, 2007:

Growing in Faith Capital Campaign

Cash and Cash Equivalents	\$ 641,895
Investments	297,221
Net Present Value of Pledges Receivable	8,002,109
Total Assets	<u>\$ 8,941,225</u>
Accounts Payable - Archdiocese	\$ 1,692,688
Net Assets	7,248,537
Total Liabilities and Net Assets	<u>\$ 8,941,225</u>

Foundation's Interest

Distributions Received by the Foundation in 2007	<u>\$ 501,097</u>
Equity Interest in Growing in Faith Net Assets at June 30, 2007	<u>\$ 996,979</u>

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NOTE 16 GRANTS AND EXPENSES

The Foundation's grants and expenses were classified as follows for the years ended June 30, 2008 and 2007:

	Year Ended June 30, 2008						
	Program Grants and Expenses			Operating Expenses			
	Family of Faith	Seminary	Parish and School	Community Service	Development	Management and General	2006 Total
PROGRAM GRANTS	\$ 1,465,758	\$ 342,200	\$ 4,450,294	\$ 381,561	\$ -	\$ -	\$ 6,639,813
OPERATING EXPENSES							
Professional Fees	17,701	-	-	-	76,772	137,946	232,419
Salaries and Benefits	-	-	80,009	80,009	483,864	271,799	915,681
Publications and Marketing	-	-	-	-	278,960	-	278,960
Life Insurance Payments	62,800	-	-	-	-	-	62,800
Office Supplies and Services	25,787	-	-	-	101,033	55,547	182,367
Miscellaneous	-	-	-	2,957	31,428	35,493	69,878
Total Operating Expenses	<u>106,288</u>	<u>-</u>	<u>80,009</u>	<u>82,966</u>	<u>972,057</u>	<u>500,785</u>	<u>1,742,105</u>
TOTAL EXPENSES	<u>\$ 1,572,046</u>	<u>\$ 342,200</u>	<u>\$ 4,530,303</u>	<u>\$ 464,527</u>	<u>\$ 972,057</u>	<u>\$ 500,785</u>	<u>\$ 8,381,918</u>

	Year Ended June 30, 2007						
	Program Grants and Expenses			Operating Expenses			
	Family of Faith	Seminary	Parish and School	Community Service	Development	Management and General	Total
PROGRAM GRANTS	\$ 1,562,495	\$ 335,801	\$ 3,717,411	\$ 390,055	\$ -	\$ -	\$ 6,005,762
OPERATING EXPENSES							
Professional Fees	19,695	-	-	-	58,998	77,493	156,186
Salaries and Benefits	-	-	74,660	74,660	373,659	273,373	796,352
Publications and Marketing	-	-	-	-	262,327	-	262,327
Life Insurance Payments	65,524	-	-	-	-	-	65,524
Office Supplies and Services	25,873	-	-	-	99,429	56,832	182,134
Miscellaneous	-	-	-	-	-	70,253	70,253
Total Operating Expenses	<u>111,092</u>	<u>-</u>	<u>74,660</u>	<u>74,660</u>	<u>794,413</u>	<u>477,951</u>	<u>1,532,776</u>
TOTAL EXPENSES	<u>\$ 1,673,587</u>	<u>\$ 335,801</u>	<u>\$ 3,792,071</u>	<u>\$ 464,715</u>	<u>\$ 794,413</u>	<u>\$ 477,951</u>	<u>\$ 7,538,538</u>