

THE PRIDDY FOUNDATION

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2008 AND 2007



MATHIS, WEST, HUFFINES & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

THE PRIDDY FOUNDATION

ANNUAL FINANCIAL REPORT

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Independent Auditor's Report

Board of Directors
The Priddy Foundation
Wichita Falls, Texas

We have audited the accompanying statements of financial position of **The Priddy Foundation** (the Foundation), a nonprofit organization, as of December 31, 2008 and 2007, 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 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 Priddy Foundation** as of December 31, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental data presented in Schedule 1 is presented for purposes of additional analysis and is 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.

Mathis, West, Huffines & Co., P.C.
MATHIS, WEST, HUFFINES & CO., P.C.

Wichita Falls, Texas
August 27, 2009

THE PRIDDY FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

	2008	2007
Assets		
Cash	\$ 78,487	\$ 7,227,176
Investments:		
Cash and cash equivalents	7,077,901	2,804,822
Equity securities	38,726,796	59,614,444
Fixed income - US Government	17,614,807	22,007,000
Fixed income - Municipalities	1,040	1,040
Receivables:		
Accrued interest receivable	102,040	273,953
Excise taxes receivable	45,786	-
Deferred excise tax benefit	171,952	-
Mineral interests:		
Leasehold cost - producing royalty (net of accumulated depletion of \$41,836)	-	-
Leasehold cost - nonproducing royalty	5,149	5,149
Furniture and equipment (net of accumulated depreciation of \$86,329 and \$99,462, respectively)	15,188	23,086
Total assets	\$ 63,839,146	\$ 91,956,670
Liabilities		
Excise tax payable	\$ -	\$ 46,042
Grants payable	3,407,514	4,230,246
Deferred excise tax payable	-	363,878
Total liabilities	3,407,514	4,640,166
Net assets		
Unrestricted	60,431,632	87,316,504
Total liabilities and net assets	\$ 63,839,146	\$ 91,956,670

The accompanying Notes are an integral part of these financial statements.

THE PRIDDY FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Revenues and gains		
Dividends - Dodge and Cox	\$ 494,273	\$ 520,467
Dividends - Sarofim	543,654	549,062
Dividends - Other	519,782	569,622
U. S. Government securities interest	1,046,110	1,136,006
Interest	1,128,949	561,926
Net appreciation (depreciation) in fair value of investments	(26,826,493)	(4,316,354)
Gain/loss on sale of investments - Dodge and Cox	385,402	4,530,328
Gain/loss on sale of investments - Sarofim	374,998	1,328,180
Gain/loss on sale of investments - Other	(892,934)	944,465
Oil royalty	23,334	14,276
Gas royalty	9,797	6,912
Miscellaneous income	522	3,192
Total revenues and gains	(23,192,606)	5,848,082
Expenses		
Depreciation	11,796	9,436
Severance tax	1,715	1,130
Board and Committee meetings	9,898	714
Contributions	3,259,576	5,430,476
Trustee fees	49,500	42,000
Dues	3,593	3,068
Grant related expenses	1,018	1,350
Insurance	11,992	14,143
Investment fees	225,827	228,335
Leased equipment	3,695	4,003
Legal and accounting	50,935	52,344
Occupancy	27,046	30,746
Office, supplies and expenses	13,713	19,731
Sundry business expense	1,652	2,583
Salaries and staff benefits	470,021	450,664
Taxes - excise	(501,617)	15,374
Taxes - other	51,546	32,839
Travel and conferences	360	12,570
Total expenses	3,692,266	6,351,506
Change in net assets	(26,884,872)	(503,424)
Net assets, beginning of year	87,316,504	87,819,928
Net assets, end of year	\$ 60,431,632	\$ 87,316,504

The accompanying Notes are an integral part of these financial statements.

THE PRIDDY FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash Flow from Operating Activities		
Change in net assets	\$ (26,884,872)	\$ (503,424)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	11,796	9,436
Loss on disposal of furniture and equipment	3,605	-
Net depreciation (appreciation) in fair value of investments	26,826,493	4,316,355
Decrease (increase) in accrued interest receivable	171,913	(9,114)
Decrease (increase) in accrued excise tax receivable	(45,786)	-
Decrease (increase) in deferred excise tax benefit	(171,952)	-
Increase (decrease) in cash overdraft	-	(56,722)
Increase (decrease) in excise tax payable	(46,042)	33,442
Increase (decrease) in grant payables	(822,732)	745,551
Increase (decrease) in deferred excise tax payable	(363,878)	(87,026)
Net cash provided (used) by operating activities	(1,321,455)	4,448,498
Cash Flow from Investing Activities		
Proceeds from sale of investments	38,868,656	48,448,487
Purchases of investments	(44,688,387)	(45,662,761)
Purchase of furniture and equipment	(7,503)	(7,048)
Net cash flow from (used by) investing activities	(5,827,234)	2,778,678
Net increase (decrease) in cash	(7,148,689)	7,227,176
Cash, beginning of year	7,227,176	-
Cash, end of year	\$ 78,487	\$ 7,227,176

The accompanying Notes are an integral part of these financial statements.

THE PRIDDY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

Note 1 - ORGANIZATION

The Priddy Foundation is a general purpose foundation established in 1963 by Walter M. and Swannanoa D. Priddy to insure their personal philanthropy would continue in perpetuity, under the guidance and direction of family members and trusted advisors. The Foundation is primarily interested in programs that have the potential for lasting and favorable impact on individuals and organizations. The Foundation is dedicated to the support of programs in human services, education, the arts, and health, which offer significant potential for human and community improvement. Considerations for funding include the geographic area served by the project, the individuals and groups served, the problem being addressed, the availability of existing resources and the degree of the need.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented using the accrual basis of accounting. Accordingly, all revenues are recognized when earned, and expenses are recognized when incurred.

Investments

The Foundation accounts for investments in marketable equity securities and U.S. Government (debt) securities with readily determinable fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Cash and Cash Equivalents

For financial reporting purposes, the Foundation considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. Cash and cash equivalents held by investment managers are classified as investments and are reported separately under investments on the statement of financial position.

Furniture and Equipment

Furniture and equipment are recorded at cost. Expenditures for repairs and maintenance are charged against current year operations. Depreciation is generally computed and recorded on a straight-line basis over the estimated useful life of the related asset, which ranges from three to seven years.

Grant Appropriations

The Foundation recognizes unconditional grant appropriations as expenses at the time grants are committed to the recipient organizations. The Foundation recognizes conditional grant appropriations as expenses when the conditions on which they depend have been substantially met. Grants payable within one year are recorded at their fair value at the date of authorization. Grants payable in more than one year are recorded at the present value of their future cash outflows using a risk-free rate of return.

THE PRIDDY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2008 AND 2007

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Net assets

Net assets of the Foundation and changes therein are classified and reported as unrestricted net assets which represent resources available for support of Foundation operations that are not subject to donor-imposed stipulations.

Use of 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.

Note 3 - CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANKS

The Foundation maintains a bank account with American National Bank. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and \$100,000 at December 31, 2008 and 2007, respectively. At December 31, 2008 the Foundation's cash balance did not exceed FDIC insurance coverage. At December 31, 2007, the Foundation's cash balance exceeded FDIC insurance coverage by and \$109,368.

Note 4 - INVESTMENTS

Investments held at December 31, 2008 and 2007 are as follows:

December 31, 2008	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>
Cash and cash equivalents	\$ 7,077,901	\$ 7,077,901	\$ -
Equity securities	38,726,796	48,091,260	(9,364,464)
Fixed income securities:			
Government obligations	17,614,807	16,846,643	768,164
Municipality obligations	<u>1,040</u>	<u>2,400</u>	<u>(1,360)</u>
Total Investments	<u>\$ 63,420,544</u>	<u>\$ 72,018,204</u>	<u>\$ (8,597,660)</u>
December 31, 2007	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>
Cash and cash equivalents	\$ 2,804,822	\$ 2,804,822	\$ -
Equity securities	59,614,444	41,984,422	17,630,022
Fixed income securities:			
Government obligations	22,007,000	21,406,829	600,171
Municipality obligations	<u>1,040</u>	<u>2,400</u>	<u>(1,360)</u>
Total Investments	<u>\$ 84,427,306</u>	<u>\$ 66,198,473</u>	<u>\$ 18,228,833</u>

THE PRIDDY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2008 AND 2007

Note 5 - GRANTS PAYABLE

Grants payable include amounts that will be paid more than one year after the date of the financial statement. The approved amounts of grants payable more than one year after December 31, 2008 and 2007 are discounted using the discount rate of 4% as follows:

	2008	2007
Payable in one year	\$2,853,200	\$3,390,492
Payable in one to five years	576,486	875,050
Total amount granted	3,429,686	4,265,542
Unamortized discount	22,172	35,296
Grants payable	\$3,407,514	\$4,230,246

Note 6 - FEDERAL INCOME AND EXCISE TAX

The Foundation is exempt from federal income taxes under Section 501(c)(3). Accordingly, the Foundation is not subject to federal income tax, except to the extent that it has unrelated business taxable income, of which it had none in 2008 or 2007. However, the Foundation is classified as a private foundation and, as such, is subject to a federal excise tax of 2% on net investment income, unless certain conditions are met, in which case the federal excise tax can be reduced to 1%. The current portion of the excise tax expense is \$34,214 and \$46,042 for the years ended December 31, 2008 and 2007, respectively. The Foundation is due a refund for overpaid excise tax in the amount of \$45,786 for the year ended December 31, 2008. Tax expense differs from amounts currently receivable (payable) because certain investment income is included in the Statement of Activities in periods that differ from those in which it is subject to taxation.

The Foundation made provisions for deferred excise taxes, which were recorded at the 1% excise tax rate in 2008 and 2007. Deferred excise tax payable (benefit) was \$(171,953) and \$46,042 for the years ended December 31, 2008 and 2007, respectively, resulting from net unrealized losses and gains on investments respectively.

Note 7 - INVESTMENTS HELD IN TRUST

To meet granting requirements and regulations, the Foundation will occasionally distribute grants to Community Foundations. Although the funds are granted, the Priddy Foundation does have some influence as to which organizations the funds are ultimately released. At December 31, 2008 and 2007, the Priddy Foundation had granted the following amounts to the following organizations:

	2008	2007
Communities Foundation of Texas	\$ 2,597	\$ 261,906
Wichita Falls Area Community Foundation	1,533,841	1,403,316
Total investments held in trust	\$1,536,438	\$1,665,222

THE PRIDDY FOUNDATION

SCHEDULE 1
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2008

	Cost Basis				Market Value			Unrealized Gain/(Loss)
	Shares	Equities	Municipalities	US Government Securities	Equities	Municipalities	US Government Securities	
DODGE & COX								
AEGON NV	12,511	\$ 178,312	\$ -	\$ -	\$ 75,692	\$ -	\$ -	\$ (100,620)
AMGEN INC.	9,500	455,067	-	-	548,625	-	-	93,558
AMERICAN INTL GROUP INC.	28,000	1,164,336	-	-	43,980	-	-	(1,120,376)
BMC SOFTWARE INC.	3,100	43,311	-	-	83,421	-	-	40,110
BAKER HUGHES, INC.	6,700	151,613	-	-	214,869	-	-	63,257
BOSTON SCIENTIFIC CORP. COM	20,700	297,297	-	-	160,218	-	-	(137,079)
CAPITAL ONE FINANCIAL C	11,100	504,607	-	-	353,979	-	-	(150,628)
CARDINAL HEALTH INC.	10,100	539,594	-	-	348,147	-	-	(191,447)
CARMAX INC.	5,000	85,400	-	-	39,400	-	-	(46,000)
CEMAX SAB DE CV	4,974	139,842	-	-	45,462	-	-	(94,379)
CHEVRONTXACO CORP.	4,300	135,476	-	-	318,071	-	-	182,595
CITIGROUP, INC.	18,700	671,907	-	-	125,477	-	-	(548,430)
CITRIX SYSTEMS, INC.	5,500	155,992	-	-	129,635	-	-	(26,357)
COMPUTER SCIENCES CORP.	8,500	201,562	-	-	228,410	-	-	26,848
COMPUWARE CORP.	11,400	45,484	-	-	76,950	-	-	31,466
COMCAST CORP.	45,500	794,322	-	-	768,040	-	-	(26,282)
COVIDIEN LIMITED	4,000	135,198	-	-	144,960	-	-	9,762
CREDIT SUSSIE GROUP ADR	2,200	116,911	-	-	62,172	-	-	(54,739)
DISH NETWORK CORP.	3,500	87,286	-	-	38,815	-	-	(48,471)
DOMTAR CORP.	6,800	52,858	-	-	11,356	-	-	(41,502)
DOW CHEMICAL CO.	13,400	420,944	-	-	202,206	-	-	(218,738)
EBAY INC.	11,000	309,450	-	-	153,560	-	-	(155,890)
ERICSSON L M TEL CO.	11,500	73,428	-	-	89,815	-	-	16,388
FEDEX CORP.	5,300	179,215	-	-	339,995	-	-	160,780
GENERAL ELEC CO.	24,000	678,589	-	-	368,800	-	-	(289,789)
GENWORTH FINANCIAL INC.	3,000	58,500	-	-	8,490	-	-	(50,010)
GLAXO WELLCOME	13,000	609,018	-	-	484,510	-	-	(124,508)
HEALTH MANAGEMENT ASSOC INC.	6,500	133,377	-	-	11,635	-	-	(121,742)
HEWLETT PACKARD CO.	20,500	305,674	-	-	743,945	-	-	438,271
HITACHI LTD	2,300	133,921	-	-	90,022	-	-	(43,899)
HOME DEPOT INC.	13,000	409,100	-	-	299,260	-	-	(109,840)
HSBC HOLDINGS PLC	2,700	250,509	-	-	131,409	-	-	(119,100)
INTERPUBLIC GROUP COS I	10,500	114,047	-	-	41,580	-	-	(72,467)
KONINKLIJKE PHILIPS ELECTRS	2,400	61,478	-	-	47,888	-	-	(33,790)
KYOCERA CORP.	1,000	68,367	-	-	72,370	-	-	(15,997)
LEGG MASON, INC.	3,000	167,997	-	-	65,730	-	-	(102,267)
LIBERTY GLOBAL C	1,000	35,366	-	-	15,180	-	-	(20,186)
LIBERTY GLOBAL INC. CLASS A	1,200	45,065	-	-	19,104	-	-	(25,961)
LIBERTY MEDIA HOLDING INTRCT	14,800	240,729	-	-	46,176	-	-	(194,553)
LIBERTY MEDIA CORPORATION ENTERTAINMENT	2,400	32,751	-	-	41,952	-	-	9,201
LOEWYS CORP.	3,000	30,437	-	-	84,750	-	-	54,313
MACYS INC.	11,000	303,196	-	-	113,850	-	-	(189,346)
MAXIM INTEGRATED PRODC INC.	11,500	172,270	-	-	131,330	-	-	(40,940)
MOTOROLA, INC.	66,000	908,580	-	-	292,380	-	-	(616,200)
MOLEX INC.	9,900	203,749	-	-	128,205	-	-	(75,544)
NEWS CORP CLASS A	39,300	434,607	-	-	357,237	-	-	(77,370)
NOVARTIS AG	12,850	708,033	-	-	639,418	-	-	(68,617)
OCCIDENTAL PETROLEUM CO.	6,400	138,147	-	-	383,936	-	-	245,789
PANASONIC CORPORATION	19,100	158,279	-	-	237,804	-	-	79,325
PFIZER INC. (PHARMACIA)	21,523	506,939	-	-	381,172	-	-	(125,767)
PITNEY BOWES INC.	4,400	118,290	-	-	112,112	-	-	(6,178)
ROYAL DUTCH SHELL PLC	3,000	141,450	-	-	158,820	-	-	17,370
SANOFI-AVENTIS ADR	15,700	677,001	-	-	504,912	-	-	(172,089)
SCHLUMBERGER LTD	8,000	348,302	-	-	338,840	-	-	(9,662)
SHERWIN WILLIAMS CO.	1,300	70,114	-	-	77,675	-	-	7,561
SLM CORP.	11,700	290,361	-	-	104,130	-	-	(186,231)
SPRINT CORP.	50,100	692,619	-	-	91,883	-	-	(600,936)
SONY CORP.	14,000	421,632	-	-	306,180	-	-	(115,452)
SUN MICROSYSTEMS INC.	3,350	49,975	-	-	12,797	-	-	(37,178)
SYNOPSIS, INC.	8,000	138,539	-	-	148,160	-	-	9,621
TIME WARNER, INC.	47,000	625,641	-	-	472,820	-	-	(152,821)
TRAVELERS COS INC.	3,600	108,847	-	-	162,720	-	-	53,873
TYCO ELECTRONICS LTD	7,100	206,394	-	-	115,091	-	-	(91,303)
TYCO INTL LTD NEW COM	5,000	186,136	-	-	108,000	-	-	(78,136)
UNITEDHEALTH GROUP INC.	12,600	411,867	-	-	335,160	-	-	(76,707)
VULCAN MATERIALS CO.	1,000	80,904	-	-	69,580	-	-	(11,324)
WACHOVIA CORP. 2ND NEW	25,500	364,187	-	-	141,270	-	-	(222,917)
WAL MART STORES INC.	7,200	322,095	-	-	403,632	-	-	81,537
WALGREEN CO.	3,600	130,892	-	-	88,812	-	-	(42,080)
WELLPOINT INC.	10,000	383,839	-	-	421,300	-	-	37,461
WELLS FARGO CO.	11,800	254,076	-	-	347,864	-	-	93,788
WYETH	6,400	245,233	-	-	240,064	-	-	(5,169)
XEROX CORP.	20,000	137,040	-	-	203,233	-	-	66,193
TOTAL DODGE & COX		20,291,551	-	-	14,825,822	-	-	(5,465,930)
ETF STOCKS								
ISHARES TR RUSSELL 2000	35,735	2,501,706	-	-	1,759,591	-	-	(742,114)
VANGUARD FTSE ALLWORLD EX-US	47,199	2,502,328	-	-	1,525,472	-	-	(976,857)
TOTAL ETF STOCKS		5,004,034	-	-	3,285,063	-	-	(1,718,971)

THE PRIDDY FOUNDATION

SCHEDULE 1
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2008

	Cost Basis				Market Value			Unrealized Gain/(Loss)
	Shares	Equities	Municipalities	US Government Securities	Equities	Municipalities	US Government Securities	
FAYOZ & SAROFIM								
ADR ABB LTD.	10,000	266,175	-	-	150,100	-	-	(116,075)
ABBOTT LABS.	6,800	223,021	-	-	362,916	-	-	139,895
ALTRIA GROUP INC.	18,000	189,103	-	-	271,080	-	-	81,977
AMERICAN EXPRESS CO COM	5,000	162,086	-	-	92,750	-	-	(69,336)
AMERIPRISE FINL INC COM	3,100	87,936	-	-	72,416	-	-	(15,520)
APPLE COMPUTER INC.	2,000	287,644	-	-	170,700	-	-	(116,944)
AUTOMATIC DATA PROCESSING	8,000	328,137	-	-	314,720	-	-	(13,417)
BANK OF AMERICA CORP.	10,000	385,784	-	-	140,800	-	-	(244,984)
CATERPILLAR, INC.	4,000	282,916	-	-	178,680	-	-	(104,236)
CHEVRON CORP NEW	7,600	291,055	-	-	562,172	-	-	271,118
CISCO SYS., INC.	12,500	364,785	-	-	203,750	-	-	(161,035)
COCA COLA CO.	14,000	770,060	-	-	633,780	-	-	(136,280)
CONOCO PHILLIPS	9,500	465,200	-	-	492,100	-	-	26,901
CORNING, INC.	5,000	131,680	-	-	47,650	-	-	(84,030)
EMERSON ELECTRIC CO.	11,600	330,717	-	-	424,676	-	-	93,959
EXXON MOBIL CORPORATION	27,000	907,497	-	-	2,155,410	-	-	1,247,913
FLUOR CORP	3,000	174,975	-	-	134,610	-	-	(40,365)
FOMENTO ECONOMICO MEXICANO SAB	5,000	212,223	-	-	150,650	-	-	(61,573)
FRANKLIN RESOURCES, INC.	2,000	190,707	-	-	127,560	-	-	(63,147)
FREEMPORT COPPER AND GOLD	2,400	258,421	-	-	58,656	-	-	(199,765)
GENERAL DYNAMICS CORP.	2,400	200,804	-	-	138,216	-	-	(62,588)
GENERAL ELECTRIC CO.	27,000	743,281	-	-	437,400	-	-	(305,881)
HALLIBURTON CO.	7,000	238,750	-	-	127,260	-	-	(111,490)
HOME DEPOT INC.	7,000	263,079	-	-	161,140	-	-	(101,939)
HSBC HOLDINGS	6,121	503,144	-	-	297,909	-	-	(205,235)
INTEL CORP.	20,000	428,926	-	-	293,200	-	-	(135,726)
J P MORGAN CHASE & CO.	5,000	167,640	-	-	157,650	-	-	(9,990)
JOHNSON & JOHNSON	9,000	290,230	-	-	538,470	-	-	248,240
LILLY ELI & CO.	8,000	596,176	-	-	322,160	-	-	(274,016)
MCDONALDS CORP.	5,000	281,870	-	-	310,950	-	-	29,080
MCGRAW HILL COMPANIES I	10,000	283,461	-	-	231,900	-	-	(51,561)
MEDTRONIC UNC	4,000	207,349	-	-	125,880	-	-	(81,669)
MICROSOFT CORP.	15,000	445,585	-	-	291,600	-	-	(153,985)
NESTLE S A	17,500	348,600	-	-	683,988	-	-	335,388
NEWS CORP CLASS A	17,000	249,833	-	-	154,530	-	-	(95,303)
NOVO NORDISK A/S	3,000	195,307	-	-	154,170	-	-	(41,137)
OCCIDENTAL PETE CORP.	4,000	119,980	-	-	239,960	-	-	119,980
PATRIOT COAL CORP.	800	12,581	-	-	5,000	-	-	(7,581)
PEABODY ENERGY CORPORATION	4,000	187,756	-	-	91,000	-	-	(96,756)
PEPSICO, INC.	10,500	418,924	-	-	575,085	-	-	156,161
PHILIP MORIS, INTL INC.	18,000	430,906	-	-	783,180	-	-	352,274
PRAXAIR INC.	4,000	191,812	-	-	237,440	-	-	45,828
PROCTER & GAMBLE CO.	15,000	611,299	-	-	927,300	-	-	316,001
QUALCOMM INC.	5,000	199,947	-	-	179,150	-	-	(20,797)
RIO TINTO PLC	1,000	323,280	-	-	88,910	-	-	(234,370)
SYSCO CORP.	6,000	213,959	-	-	137,640	-	-	(76,319)
TARGET CORP.	10,000	365,909	-	-	345,300	-	-	(20,609)
TEXAS INSTRS INC.	7,000	210,280	-	-	108,640	-	-	(101,640)
TOTAL S.A.	6,000	348,941	-	-	331,800	-	-	(17,141)
TRANSOCEAN INC. NEW	1,899	159,562	-	-	89,728	-	-	(69,834)
UNITED TECHNOLOGIES CORP.	5,800	426,051	-	-	310,880	-	-	(115,171)
WAL MART STORES INC.	4,000	191,739	-	-	224,240	-	-	32,502
WALGREEN CO.	12,000	221,368	-	-	298,040	-	-	74,652
WEATHERFORD INTL LTD	6,000	171,594	-	-	64,920	-	-	(106,674)
TOTAL FAYOZ & SAROFIM		<u>16,559,842</u>			<u>16,207,611</u>			<u>(352,231)</u>
MUTUAL FUNDS								
Dodge & Cox International Stock Fund	201,301	6,235,833	-	-	4,408,500	-	-	(1,827,333)
TOTAL MUTUAL FUNDS		<u>6,235,833</u>			<u>4,408,500</u>			<u>(1,827,333)</u>
SENTRY INVESTMENTS								
FHLM-5.75%-3/15/2009	2,500,000	-	-	2,500,698	-	-	2,627,350	28,652
FNMA 5.25% 4/06/2011	1,000,000	-	-	987,220	-	-	1,011,560	24,340
FNMA 4.65% 5/17/2010	500,000	-	-	485,700	-	-	623,440	37,740
FNMA 5.625% 5/19/2011	1,000,000	-	-	998,650	-	-	1,014,690	16,040
FHLMC 5.25% 2/24/2011	1,000,000	-	-	999,540	-	-	1,006,240	6,700
FHLMC 5.5% 5/1/2022	746,380	-	-	735,757	-	-	759,417	23,660
FHLB 5.625% 11/15/2011	1,000,000	-	-	1,014,918	-	-	1,114,060	99,142
FHLB 4.875% 6/8/2012	1,000,000	-	-	986,820	-	-	1,097,190	110,370
FHLB 5.15% 5/21/2012	1,000,000	-	-	1,000,000	-	-	1,052,190	52,190
FHLB 5.3% 10/27/2011	475,000	-	-	470,250	-	-	491,924	21,674
FHLB 4.75% 12/09/2011	1,000,000	-	-	969,590	-	-	1,090,630	121,040
FNMA 5.4% 06/07/2012	1,000,000	-	-	1,000,000	-	-	1,056,250	56,250
FHLMC 5.5% 07/02/2022	813,548	-	-	789,803	-	-	830,517	40,714
FG G18247 5% 4/01/2023	1,429,166	-	-	1,415,575	-	-	1,458,787	43,212
FHLMC 5.5% 09/10/2022	1,069,203	-	-	1,057,612	-	-	1,092,635	35,024
FG G18265 5.5% 7/01/2023	1,450,713	-	-	1,434,510	-	-	1,487,927	53,416
TOTAL SENTRY INVESTMENTS				<u>16,846,643</u>			<u>17,614,807</u>	<u>768,164</u>
IRVING, TEXAS DUE 12/26/08			2,400	-		1,040	-	(1,360)
TOTAL INVESTMENTS		<u>\$ 48,091,260</u>	<u>\$ 2,400</u>	<u>\$ 16,846,643</u>	<u>\$ 38,726,796</u>	<u>\$ 1,040</u>	<u>\$ 17,614,807</u>	<u>\$ (8,597,660)</u>