

J O U R N A L

**Of the
One Hundred Sixty-eighth**

**ANNUAL COUNCIL
Of the
DIOCESE OF TEXAS**

Volume I
(Revised 1/18/2017)

Galveston Convention Center

February 9 – 11, 2017

EPISCOPAL DIOCESE OF TEXAS VISION DOCUMENT

MISSION STATEMENT

We are one Church reconciled by Jesus Christ, empowered by the Holy Spirit, called by God through worship, witness, and ministry, building the Kingdom of God together.

CORE VALUES

Grounded in our response to the Baptismal Covenant and Great Commission, the Churches, Schools, and Institutions of the Episcopal Diocese of Texas passionately hold these values:

Missionary Emphasis

Making Jesus Christ known with a missionary spirit that honors our heritage of growth and expansion

Education and Leadership

Forming disciples, both lay and clergy, to be effective agents of transformation

Meeting Human Needs

Bringing the love of Christ to a hurting world

Responsive Stewardship

Caring for and dedication of our abundant resources to support the mission of the Church

Excellence

Setting a standard for ministry driven by miraculous expectation

VISION

As followers of Jesus Christ, we are One Church within the Anglican Communion and The Episcopal Church. All are sought and embraced in worship, mission, and ministry in a spirit of mutual love and respect.

We are:

Youthful: Our congregations and institutions are continually renewed and revitalized through the infusion and inclusion of younger members. Children, youth, young adults, their friends and families, find in our diocese significant and engaging programs and ministries that inspire, inform, and support them on their Christian journey.

Multicultural: Our diocese is enriched through intentional efforts to reflect the communities in which we live. People of diverse ethnic, cultural, and socioeconomic backgrounds find respect, dignity, and opportunity in the life and ministry of the church.

Forming and Growing: Those seeking a deeper relationship with Jesus are nurtured and equipped to share the love of Christ in the world. They find lifelong opportunities for spiritual formation and servant leadership grounded in scripture and our historic catholic faith.

Reaching out to Serve: Those who serve and are served are transformed. People who are in need and who struggle, find hope, care, and restoration through the outreach and justice ministries provided by the people of the Episcopal Diocese of Texas.

One Church: We are a united, vibrant, healthy, and growing community of faith. The world will recognize us as Jesus' disciples because we love one another as Christ loves us.

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VOLUME I – REPORTS TO COUNCIL

I. FROM THE 167TH COUNCIL

UNFINISHED BUSINESS & CERTIFICATION OF MINUTES

I certify that there are no items of unfinished business remaining from the 167th Annual Council of the Episcopal Diocese of Texas. I also certify that the minutes (as contained in Volume II, *Journal of the 167th Council*) are a true and accurate account of the proceedings of that Council.

John A. Logan, Jr., Secretary

REGULAR COMMITTEES FOR THE 168TH COUNCIL (2017)

1. CONSTITUTION AND CANONS

To 2016:

Maria Boyce, St. Martin's, Houston, *Chair*

3622 Wickersham, Houston 77027 (713) 229-1922

Sam Griffin, St. Cyprian's, Lufkin

Lillian Hyde, St. Luke's Hospital, Pasadena

Nancy Ricketts, St. Michael's, Austin *Ex-officio*:

David Harvin, St. Martin's, Houston, Chancellor,

2. COUNCIL MANAGEMENT

To 2016:

Kathryn "Kai" M. Ryan, Diocesan Center, Houston, *Chair*

1225 Texas Ave., Houston 77002 (713) 520-6444

Mary Cloud, Trinity, Houston, *Diocesan Council Coordinator*

Susan Duif, Trinity Church, Galveston

Kenneth "Ken" Fields, St. Thomas the Apostle, Nassau Bay (Houston)

William Fowler, Epiphany, Houston, *Chair, Dispatch of Business*

Seth Hinkley, Christ Church Cathedral, Houston

Tammy Tiner, St. Thomas', College Station

David Harvin, St. Martin's, Houston, Chancellor, *Ex-officio*

William Fowler, Chair for Dispatch of Business, Christ Church, Temple, *Ex-officio*

3. DISPATCH OF BUSINESS

To 2016:

William "Bill" Y. Fowler, Christ Church, Temple, *Chair*

300 N. Main St. Temple 76501 (254) 773-1657

Terry Nathan, St. David's, Austin

Tammy Tiner, St. Thomas', College Station

Paul Skeith, St. David's, Austin

4. NOMINATIONS

Albert "Bertie" Pearson, San Francisco de Asis, Austin, *Chair*

7000 Woodhue Dr. Austin 78745-5454 (512) 439-0721

To 2016

Betty Divine, St. James', Houston
Kerry Hancock, Christ Church, Temple
Ginny Reinhardt, Christ Church, Tyler
Lisa Saunders, St. James', Austin

To 2017

Hanna Atkins, Trinity, Houston
Pauline Higgins, St. John the Divine, Houston
Corky Moore, St. Mark's, Beaumont
Albert "Bertie" Pearson, San Francisco de Asis, Austin

To 2018

Greg Caudell, St. Andrew's, Houston
Christine Faulstich, Epiphany, Houston
Elizabeth Ann Gates, Good Shepherd, Austin
Aaron Zimmerman, St. Alban's, Waco

5. RESOLUTIONS

To 2016:

Susan Kennard, Trinity Church, Galveston, *Chair*
2216 Ball St., Galveston, TX (409) 765-6317
James "Jimmy" M. L. Grace, St. Andrew's, Houston
Trey Yarborough, Christ Church, Tyler
Andrew "Andy" Wisely, St. Alban's, Waco

6. SUPERVISORS AND TELLERS

To 2016:

John Soard, St. Thomas', Wharton, *Chair*
207 Bob O Link Ln., Wharton 77488 (979) 532-
1723 Larry Angle, St. Mary's, Cypress
Linda Gray, St. Francis', Tyler
J. Dean Lawrence, St. Francis', College Station
Alex Ogunmuyiwa, St. James', Austin

II. STANDING COMMITTEES OF THE COUNCIL

Pre-Council Report of the COMMITTEE FOR CONSTITUTION & CANONS to the 168th Council

(Type of Proposal)	(No. of Proposals)
A - Constitutional proposals, 2nd reading:	None
B - Constitutional proposals, 1st reading:	2
C - Canonical proposals:	15

A. CONSTITUTIONAL AMENDMENTS (Presented for second reading requiring 2/3rds majority approval from each Order)

NONE

B. CONSTITUTIONAL AMENDMENTS (Presented for publication on first reading)

Article 2 THE COUNCIL

EXISTING:

Section 2.7 *Quorum*

At the regular Annual Council, one quarter of the Clergy canonically resident in the Diocese and a Lay Delegate from one quarter of the congregations in union with the Council shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from day to day until a quorum is obtained.

PROPOSED:

Section 2.7 *Quorum*

At the regular Annual Council, one ~~quarter~~ half of the active (non-retired) of the Clergy canonically resident in the Diocese and a Lay Delegate from one ~~quarter~~ half of the congregations in union with the Council shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from day to day until a quorum is obtained.

IF AMENDED:

Section 2.7 *Quorum*

At the regular Annual Council, one half of the active (non-retired) of the Clergy canonically resident in the Diocese and a Lay Delegate from one half of the congregations in union with the Council shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from day to day until a quorum is obtained.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): This quorum was originally set in the previous century and provided for the difficulties of travel at that time. There still may be times when conditions, such as inclement weather, may prevent the majority of the delegates for Council from gathering at the designated location where Diocesan Council is to be held in any given year. A one-half quorum will allow for adequate representation to be had for the business of the Diocese to be conducted at Diocesan Council.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

Article 4 OFFICERS AND ELECTIONS

EXISTING:

Section 4.2 (This section has been deleted)

Section 4.3 Officers

The officers of the Diocese shall be as follows: the Standing Committee, the Executive Board, a Secretary, a Treasurer, a Registrar, an Archivist, a Historian, a Chancellor, one or more Vice Chancellors, and such other officers as the Council may hereafter create by Canon. All officers shall be at least 18 years of age and shall be confirmed communicants in good standing in some Parish or Mission in union with the Council, and shall possess such other qualifications as may be set forth by Canon.

Section 4.4 Time of Elections – Special Elections

The officers of the Diocese shall be elected at the Council at such time as the Council may direct. The election of the Registrar, Archivist, Historian, Chancellor, and Vice Chancellor shall be upon nomination of the Bishop.

Section 4.5 Terms of Office

The terms of all officers, if not otherwise fixed by the Constitution and Canons of this Diocese, shall be for one year and until their successors are elected, unless sooner removed by the Council.

Section 4.6 Duties of Officers

The duties of all officers shall be such as may be incident to their offices and such other duties as may be declared by Canon.

Section 4.7 Deputies to General Convention

- (a) The Annual Council next preceding the date which is one year prior to the next regular meeting of the General Convention of the Church shall elect four Clerical Deputies and four Lay Deputies to represent this Diocese in the said General Convention at any regular or called meeting of the General Convention. The Clerical Deputies shall be Presbyters or Deacons, in either case canonically resident in the Diocese. The Lay Deputies shall be at least 18 years of age and shall be confirmed communicants in good standing resident in the Diocese.
- (b) There may be elected at the same time four Clerical Alternates and four Lay Alternates from whom the Bishop may designate one or more as necessary to supply any deficiency in the representation. If there be no Bishop, the power of designation shall be exercised by the Standing Committee.
- (c) To assure a full representation of this Diocese in the General Convention, the Standing Committee, when necessary, shall appoint qualified representatives to supply any deficiency and such appointments shall have the full force and effect of an election by the Council.

Section 4.8 Delegates to Provincial Synod

The Annual Council next preceding the meeting of the Provincial Synod of the Church shall elect four Clergy and four Lay Delegates to represent this Diocese in the meeting of the Synod. The same provisions concerning the election of alternates and the powers of the Bishop and Standing Committee, as well as qualifications of representatives, shall apply in this election as in the choice of deputies to the General Convention.

Section 4.9 System of Voting

In all elections, the voting shall be by voting machines or other mechanical or electronic devices or by ballot unless unanimously dispensed with. To facilitate elections, except in an election to the Episcopate, the Council may adopt and define by Canon some form of the preference system of voting.

PROPOSED:

~~Section 4.2 (This section has been deleted)~~

~~Section 4.3~~ 4.2 Officers

The officers of the Diocese shall be as follows: the Standing Committee, the Executive Board, a Secretary, a Treasurer, a Registrar, an Archivist, a Historian, a Chancellor, one or more Vice Chancellors, and such other officers as the Council may hereafter create by Canon. All officers shall be at least 18 years of age and shall be confirmed communicants in good standing in some Parish or Mission in union with the Council, and shall possess such other qualifications as may be set forth by Canon.

~~Section 4.4~~ 4.3 Time of Elections – Special Elections

The officers of the Diocese shall be elected at the Council at such time as the Council may direct. The election of the Registrar, Archivist, Historian, Chancellor, and Vice Chancellor shall be upon nomination of the Bishop.

~~Section 4.5~~ 4.4 Terms of Office

The terms of all officers, if not otherwise fixed by the Constitution and Canons of this Diocese, shall be for one year and until their successors are elected, unless sooner removed by the Council.

~~Section 4.6~~ 4.5 Duties of Officers

The duties of all officers shall be such as may be incident to their offices and such other duties as may be declared by Canon.

~~Section 4.7~~ 4.6 Deputies to General Convention

- (a) The Annual Council next preceding the date which is one year prior to the next regular meeting of the General Convention of the Church shall elect four Clerical Deputies and four Lay Deputies to represent this Diocese in the said General Convention at any regular or called meeting of the General Convention. The Clerical Deputies shall be Presbyters or Deacons, in either case canonically resident in the Diocese. The Lay Deputies shall be at least 18 years of age and shall be confirmed communicants in good standing resident in the Diocese.
- (b) There may be elected at the same time four Clerical Alternates and four Lay Alternates from whom the Bishop may designate one or more as necessary to supply any deficiency in the representation. If there be no Bishop, the power of designation shall be exercised by the Standing Committee.
- (c) To assure a full representation of this Diocese in the General Convention, the Standing Committee, when necessary, shall appoint qualified representatives to supply any deficiency and such appointments shall have the full force and effect

of an election by the Council.

- (d) The four clerical deputies and the four lay delegates so elected shall also serve as delegates to the Provincial Synod preceding General Convention.

~~Section 4.8—Delegates to Provincial Synod~~

~~The Annual Council next preceding the meeting of the Provincial Synod of the Church shall elect four Clergy and four Lay Delegates to represent this Diocese in the meeting of the Synod. The same provisions concerning the election of alternates and the powers of the Bishop and Standing Committee, as well as qualifications of representatives, shall apply in this election as in the choice of deputies to the General Convention.~~

Section 4.9-4.7 System of Voting

In all elections, the voting shall be by voting machines or other mechanical or electronic devices or by ballot unless unanimously dispensed with. To facilitate elections, except in an election to the Episcopate, the Council may adopt and define by Canon some form of the preference system of voting.

IF AMENDED:

Section 4.2 Officers

The officers of the Diocese shall be as follows: the Standing Committee, the Executive Board, a Secretary, a Treasurer, a Registrar, an Archivist, a Historian, a Chancellor, one or more Vice Chancellors, and such other officers as the Council may hereafter create by Canon. All officers shall be at least 18 years of age and shall be confirmed communicants in good standing in some Parish or Mission in union with the Council, and shall possess such other qualifications as may be set forth by Canon.

Section 4.3 Time of Elections – Special Elections

The officers of the Diocese shall be elected at the Council at such time as the Council may direct. The election of the Registrar, Archivist, Historian, Chancellor, and Vice Chancellor shall be upon nomination of the Bishop.

Section 4.4 Terms of Office

The terms of all officers, if not otherwise fixed by the Constitution and Canons of this Diocese, shall be for one year and until their successors are elected, unless sooner removed by the Council.

Section 4.5 Duties of Officers

The duties of all officers shall be such as may be incident to their offices and such other duties as may be declared by Canon.

Section 4.6 Deputies to General Convention

- (a) The Annual Council next preceding the date which is one year prior to the next regular meeting of the General Convention of the Church shall elect four Clerical Deputies and four Lay Deputies to represent this Diocese in the said General Convention at any regular or called meeting of the General Convention. The Clerical Deputies shall be Presbyters or Deacons, in either case canonically resident in the Diocese. The Lay Deputies shall be at least 18 years of age and shall be confirmed communicants in good standing resident in the Diocese.
- (b) There may be elected at the same time four Clerical Alternates and four Lay Alternates from whom the Bishop may designate one or more as necessary to supply any deficiency in the representation. If there be no Bishop, the power of designation shall be exercised by the Standing Committee.
- (c) To assure a full representation of this Diocese in the General Convention, the Standing Committee, when necessary, shall appoint qualified representatives to supply any deficiency and such appointments shall have the full force and effect of an election by the Council.
- (d) The four clerical deputies and the four lay delegates so elected shall also serve as delegates to the Provincial Synod preceding General Convention.

Section 4.7 System of Voting

In all elections, the voting shall be by voting machines or other mechanical or electronic devices or by ballot unless unanimously dispensed with. To facilitate elections, except in an election to the Episcopate, the Council may adopt and define by Canon some form of the preference system of voting.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board):

Section 4.2 was previously deleted and should be removed, and the subsequent sections should be renumbered.

Former Section 4.8 was merged with former Section 4.7 to create new Section 4.6 of this Article. This proposed change makes the general convention delegates (clergy and lay) the delegates for Provincial Synod as well. Provincial Synod has evolved, and it now serves primarily as a pre-General Convention meeting, just as we hold pre-council meetings in the Diocese. Sending to Provincial Synod persons who will not be attending General Convention is not a wise use of their time and talent or diocesan financial resources. Their time would be better spent in other ministry.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

C. CANONICAL AMENDMENTS

TITLE II, Canon 2 THE EXECUTIVE BOARD OF THE DIOCESE

EXISTING:

Section 2.3 Membership – Elections – Vacancies

(a) The Executive Board shall be comprised of the following persons:

(1) The Bishop of the Diocese, who shall be the Chair.

The following persons will serve, ex-officio:

- (a) The Coadjutor Bishop, if there be one.
- (b) The Suffragan Bishops, if there be any.
- (c) The Assistant Bishop, if there be one.
- (d) The President of the Protestant Episcopal Church Council of the Diocese of Texas.
- (e) The Treasurer of the Diocese.
- (f) The President of the Episcopal Church Women of the Diocese of Texas, with voice but without vote unless an elected member of the Executive Board as defined in Section 2.3(a)(3).

PROPOSED:

Section 2.3 Membership – Elections – Vacancies

(a) The Executive Board shall be comprised of the following persons:

(1) The Bishop of the Diocese, who shall be the Chair.

The following persons will serve, ex-officio:

- a. The Coadjutor Bishop, if there be one.
- b. The Suffragan Bishops, if there be any.
- c. The Assistant Bishop, if there be one.
- d. The President of the Protestant Episcopal Church Council of the Diocese of Texas.

- e. The Treasurer of the Diocese.
- f. ~~The President of the Episcopal Church Women of the Diocese of Texas, with voice but without vote unless an elected member of the Executive Board as defined in Section 2.3(a)(3).~~

IF AMENDED:

Section 2.3 Membership – Elections – Vacancies

(a) The Executive Board shall be comprised of the following persons:

(1) The Bishop of the Diocese, who shall be the Chair.

The following persons will serve, ex-officio:

- a. The Coadjutor Bishop, if there be one.
- b. The Suffragan Bishops, if there be any.
- c. The Assistant Bishop, if there be one.
- d. The President of the Protestant Episcopal Church Council of the Diocese of Texas.
- e. The Treasurer of the Diocese.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): Historically, the President of the Episcopal Church Women was given membership on the Executive Board at a time when women's participation in diocesan ministry was limited to this organization. Since this is no longer the case, it is not necessary to continue this arrangement.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

**TITLE II, Canon 5
PROPERTY AND LIABILITY INSURANCE**

EXISTING:

Section 5.1 Committee to Investigate Status and Report

At each Annual Council the Bishop shall appoint a Committee of three, whose duty it shall be to inquire into the status of property and liability insurance of each Diocesan entity, as defined in Title II.5. The Committee shall make an annual report to the Executive Board showing the amounts and kind of property and liability insurance carried by each such Diocesan entity with the recommendations of the Committee. The

Executive Board shall have authority to require each Diocesan entity to obtain and maintain property and liability insurance with coverage and limits established by the Executive Board, which requirements may rely in part on the recommendations of the Committee.

PROPOSED:

Section 5.1 Committee to Investigate Status and Report

~~At each Annual Council the~~ The Bishop shall appoint a Committee of three, whose duty it shall be to inquire into the status of property and liability insurance of each Diocesan entity, as defined in Title II.5. The Committee shall make an annual report to the Executive Board showing the amounts and kind of property and liability insurance carried by each such Diocesan entity with the recommendations of the Committee. The Executive Board shall have authority to require each Diocesan entity to obtain and maintain property and liability insurance with coverage and limits established by the Executive Board, which requirements may rely in part on the recommendations of the Committee.

IF AMENDED:

Section 5.1 Committee to Investigate Status and Report

The Bishop shall appoint a Committee of three, whose duty it shall be to inquire into the status of property and liability insurance of each Diocesan entity, as defined in Title II.5. The Committee shall make an annual report to the Executive Board showing the amounts and kind of property and liability insurance carried by each such Diocesan entity with the recommendations of the Committee. The Executive Board shall have authority to require each Diocesan entity to obtain and maintain property and liability insurance with coverage and limits established by the Executive Board, which requirements may rely in part on the recommendations of the Committee.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): There is no reason to limit these appointments to each Annual Council. The Bishop should be able to appoint, re-appoint or fill vacancies on the Committee as needed.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

**TITLE II, Canon 6
THE DIOCESAN COMMISSION ON MINISTRY**

EXISTING:

Section 6.1 Elections – Terms of Office – Vacancies

The Diocesan Commission on Ministry shall be composed of not less than seven and

not more than eighteen clergy and laypersons who shall be confirmed communicants in good standing of the Church in this Diocese, at least 18 years of age, such number to include the members of the Board of Examining Chaplains. The members of the Commission shall be elected at each Annual Council upon nomination by the Bishop, and the term of office shall be for a period of one year and until their successors shall have been elected. If any vacancies occur between Annual Councils, or if the Bishop should desire to increase the membership between Annual Councils within the aforesaid limits, such vacant or increased memberships shall be filled until the next Annual Council by confirmation by the Standing Committee upon nomination by the Bishop.

PROPOSED:

Section 6.1 Elections – Terms of Office – Vacancies

The Diocesan Commission on Ministry shall be composed of not less than seven and not more than eighteen clergy and laypersons who shall be confirmed communicants in good standing of the Church in this Diocese, at least 18 years of age, such number to include the members of the Board of Examining Chaplains. The members of the Commission shall be elected at each Annual Council upon nomination by the Bishop, and the term of office shall be for a period of ~~one~~ three years and until their successors shall have been elected. The terms of office of the elected members shall be staggered so that one-third of the elected members shall be elected at each Annual Council. Except as set forth below, each elected member may serve for three successive three-year terms, after which a person shall not be allowed to serve as an elected member until such person has been off the Commission for one full year. At the first Annual Council following the effective date of this amended section, the elected members shall be divided into three classes to serve for initial terms of one year, two years, and three years respectively. Persons elected to initial terms of one year and two years or thereafter appointed to fill an unexpired term may be elected to serve up to three consecutive additional terms of three years each, after which they shall not be re-nominated until after they have been off the Commission for one full year. If any vacancies occur between Annual Councils, or if the Bishop should desire to increase the membership between Annual Councils within the aforesaid limits, such vacant or increased memberships shall be filled until the next Annual Council by confirmation by the Standing Committee upon nomination by the Bishop.

IF AMENDED:

Section 6.1 Elections – Terms of Office – Vacancies

The Diocesan Commission on Ministry shall be composed of not less than seven and not more than eighteen clergy and laypersons who shall be confirmed communicants in good standing of the Church in this Diocese, at least 18 years of age, such number to include the members of the Board of Examining Chaplains. The members of the Commission shall be elected at each Annual Council upon nomination by the Bishop, and the term of office shall be for a period of three years and until their

successors shall have been elected The terms of office of the elected members shall be staggered so that one-third of the elected members shall be elected at each Annual Council. Except as set forth below, each elected member may serve for three successive three-year terms, after which a person shall not be allowed to serve as an elected member until such person has been off the Commission for one full year. At the first Annual Council following the effective date of this amended section, the elected members shall be divided into three classes to serve for initial terms of one year, two years, and three years respectively. Persons elected to initial terms of one year and two years or thereafter appointed to fill an unexpired term may be elected to serve up to three consecutive additional terms of three years each, after which they shall not be re-nominated until after they have been off the Commission for one full year. If any vacancies occur between Annual Councils, or if the Bishop should desire to increase the membership between Annual Councils within the aforesaid limits, such vacant or increased memberships shall be filled until the next Annual Council by confirmation by the Standing Committee upon nomination by the Bishop.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): This language aligns this Commission members' terms with the 3-year term practice of other commissions and boards within the Diocese.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE III, Canon 1 PARISHES AND MISSIONS

EXISTING:

Section 1.1 Organization – Name

A Parish, which has not been previously organized as a Mission, may be organized under any appropriate name by the adoption of Articles of Association and by duly choosing a Vestry and Wardens, at such time as it is capable of meeting all the financial obligations of a Parish, as well as its Quota and Assessment.

PROPOSED:

Section 1.1 Organization – Name

A Parish, which has not been previously organized as a Mission, may be organized under any appropriate name by the adoption of Articles of Association and by duly choosing a Vestry and Wardens, at such time as it is capable of meeting all the financial obligations of a Parish, as well as its ~~Quota and~~ Assessment.

IF AMENDED:

Section 1.1 Organization – Name

A Parish, which has not been previously organized as a Mission, may be organized under any appropriate name by the adoption of Articles of Association and by duly choosing a Vestry and Wardens, at such time as it is capable of meeting all the financial obligations of a Parish, as well as its Assessment.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): “Quotas” is a term no longer utilized in the Dioceses.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE III, Canon 1 PARISHES AND MISSIONS

EXISTING:

Section 1.1 Organization – Name

- f. A certified copy of the Articles of Association shall be presented at the Annual Council next after said organization upon which the Council may act, giving or withholding its consent to the union of the said Parish with the Council as may seem best for the interests of the Church; and the Council may, if it be deemed expedient, define the boundaries of the Parish.

PROPOSED:

Section 1.1 Organization – Name

- f. A certified copy of the Articles of Association shall be presented to the Committee on Parishes & Missions preceding the committee's recommendations to the Annual Council next after said organization upon which the. The Committee on Parishes and Missions shall, after evaluating all of the requirements under this canon, make a recommendation at the next annual Council regarding admission of the parish. The Council may act, giving or withholding its consent to the union of the said Parish with the Council as may seem best for the interests of the Church; and the Council may, if it be deemed expedient, define the boundaries of the Parish.

IF AMENDED:

Section 1.1 Organization – Name

- f. A certified copy of the Articles of Association shall be presented to the Committee on Parishes & Missions preceding the committee's recommendations to the Annual Council. The Committee on Parishes and

Missions shall, after evaluating all of the requirements under this canon, make a recommendation at the next annual Council regarding admission of the parish. The Council may act, giving or withholding its consent to the union of the said Parish with the Council as may seem best for the interests of the Church.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): This language conforms the Canon to current practice and eliminates the references to parish boundaries (removed at the 2015 Council as an obsolete practice).

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE III, Canon 1 PARISHES AND MISSIONS

EXISTING:

Section 1.6 Incorporation of a Diocesan Entity

Any Diocesan entity, as defined herein, may incorporate or exist in any corporate form upon and subject to the terms and conditions of the Constitution and Canons.

For the purpose of this Canon, the following terms shall have the meanings set forth below. The term "Diocesan entity" shall mean the Protestant Episcopal Church in the Diocese of Texas (the "Diocese"), any Parish or Mission of the Diocese, any Episcopal school of the Diocese, as defined in the Canons, and any other entity expressly identified, singularly or by category, in the Constitution and Canons as an instrumentality or entity of the Diocese. The terms "Constitution" or "Canons" shall mean the existing Constitution or Canons, respectively, of the Diocese, and any amendment thereof. The term "Act" shall mean the Texas Nonprofit Corporation Act and any amendment thereof.

Section 1.7 Consent of the Bishop

The Articles of Incorporation and By-Laws of each incorporated Diocesan entity, and any amendment, modification, or restatement thereof, shall at all times require the prior written consent of the Bishop. The Bishop shall have the right to require the amendment, modification, or restatement of the Articles of Incorporation, or By-Laws, or both, of each incorporated Diocesan entity at any time and from time to time as a condition to the Bishop's consent, or the continuation of such consent. If the office of Bishop is vacant, the rights and duties of the Bishop, as set forth in this Canon, shall be those of the Ecclesiastical Authority of the Diocese.

Section 1.8 Ministry Employees

All Youth Ministers, Directors of Christian Education, Directors of Lay Ministry, and

Directors of any other ministry, whether compensated or otherwise, serving in any Diocesan Entity shall be adult confirmed communicants in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. Every Diocesan Entity shall report annually with respect to all Lay Ministry Directors: (1) the names, offices, and addresses of each Lay Ministry Director; (2) the Parish or Mission of which each Lay Ministry Director is an adult confirmed communicant in good standing; and (3) such other information as the Bishop may require.

PROPOSED:

Section 1.6—Incorporation of a Diocesan Entity

~~Any Diocesan entity, as defined herein, may incorporate or exist in any corporate form upon and subject to the terms and conditions of the Constitution and Canons.~~

~~For the purpose of this Canon, the following terms shall have the meanings set forth below. The term “Diocesan entity” shall mean the Protestant Episcopal Church in the Diocese of Texas (the “Diocese”), any Parish or Mission of the Diocese, any Episcopal school of the Diocese, as defined in the Canons, and any other entity expressly identified, singularly or by category, in the Constitution and Canons as an instrumentality or entity of the Diocese. The terms “Constitution” or “Canons” shall mean the existing Constitution or Canons, respectively, of the Diocese, and any amendment thereof. The term “Act” shall mean the Texas Nonprofit Corporation Act and any amendment thereof.~~

Section 1.7—Consent of the Bishop

~~The Articles of Incorporation and By-Laws of each incorporated Diocesan entity, and any amendment, modification, or restatement thereof, shall at all times require the prior written consent of the Bishop. The Bishop shall have the right to require the amendment, modification, or restatement of the Articles of Incorporation, or By-Laws, or both, of each incorporated Diocesan entity at any time and from time to time as a condition to the Bishop's consent, or the continuation of such consent. If the office of Bishop is vacant, the rights and duties of the Bishop, as set forth in this Canon, shall be those of the Ecclesiastical Authority of the Diocese.~~

Section 4.8 1.6 Ministry Employees

All Youth Ministers, Directors of Christian Education, Directors of Lay Ministry, and Directors of any other ministry, whether compensated or otherwise, serving in any Diocesan Entity shall be adult confirmed communicants in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. Every Diocesan Entity shall report annually with respect to all Lay Ministry Directors: (1) the names, offices, and addresses of each Lay Ministry Director; (2) the Parish or Mission of which each Lay Ministry Director is an adult confirmed

communicant in good standing; and (3) such other information as the Bishop may require.

IF AMENDED:

Section 1.6 Ministry Employees

All Youth Ministers, Directors of Christian Education, Directors of Lay Ministry, and Directors of any other ministry, whether compensated or otherwise, serving in any Diocesan Entity shall be adult confirmed communicants in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. Every Diocesan Entity shall report annually with respect to all Lay Ministry Directors: (1) the names, offices, and addresses of each Lay Ministry Director; (2) the Parish or Mission of which each Lay Ministry Director is an adult confirmed communicant in good standing; and (3) such other information as the Bishop may require.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): Former sections 1.6 and 1.7 contain the same language as Title III, Canons 9.1 and 9.2, respectively. This language properly belongs in Title III, Canon 9.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

**TITLE III, Canon 2
THE VESTRY**

EXISTING:

Section 2.8 Treasurer

At the first meeting of the Vestry after the annual election thereof, or as soon thereafter as practical, the Vestry shall elect or appoint a Treasurer, who need not be a member of the Vestry. It shall be the duty of the Treasurer of the parish to receive all moneys contributed to the church through the parish, to make whatever disbursements are required by Canon, the Council, or authorized by the Vestry. Specifically, the Treasurer shall conduct the affairs of the Treasurer's office in accordance with the provisions of Title III.1.5(b) and Titles III.4, III.6, and III.7. The Treasurer shall keep account of all monetary transactions, and provide the diocesan officers, the Rector, Priest-in-Charge and the Vestry and its members such reports as each may from time to time require. The Treasurer shall reimburse the Rector, Priest-in-Charge, and the Wardens for actual expenses necessarily incurred in the performance of the duties required of them by Canons or as directed by the Vestry. The receipt of the Rector, Priest-in-Charge, or the Wardens shall be a proper voucher, such receipt stating the item of expense.

PROPOSED:

Section 2.8 Treasurer

At the first meeting of the Vestry after the annual election thereof, or as soon thereafter as practical, the Vestry shall elect or appoint a Treasurer, who need not be a member of the Vestry, but who shall be a communicant in good standing of the congregation. It shall be the duty of the Treasurer of the ~~parish~~ congregation to receive all moneys contributed to the church through the ~~parish~~ congregation, to make whatever disbursements are required by Canon, the Council, or authorized by the Vestry. Specifically, the Treasurer shall conduct the affairs of the Treasurer's office in accordance with the provisions of Title III.1.5(b) and Titles III.4, III.6, and III.7. The Treasurer shall keep account of all monetary transactions, and provide the diocesan officers, the Rector, Priest-in-Charge and the Vestry and its members such reports as each may from time to time require. The Treasurer shall reimburse the Rector, Priest-in-Charge, and the Wardens for actual expenses necessarily incurred in the performance of the duties required of them by Canons or as directed by the Vestry. The receipt of the Rector, Priest-in-Charge, or the Wardens shall be a proper voucher, such receipt stating the item of expense.

IF AMENDED:

Section 2.8 Treasurer

At the first meeting of the Vestry after the annual election thereof, or as soon thereafter as practical, the Vestry shall elect or appoint a Treasurer, who need not be a member of the Vestry, but who shall be a communicant in good standing of the congregation. It shall be the duty of the Treasurer of the congregation to receive all moneys contributed to the church through the congregation, to make whatever disbursements are required by Canon, the Council, or authorized by the Vestry. Specifically, the Treasurer shall conduct the affairs of the Treasurer's office in accordance with the provisions of Title III.1.5(b) and Titles III.4, III.6, and III.7. The Treasurer shall keep account of all monetary transactions, and provide the diocesan officers, the Rector, Priest-in-Charge and the Vestry and its members such reports as each may from time to time require. The Treasurer shall reimburse the Rector, Priest-in-Charge, and the Wardens for actual expenses necessarily incurred in the performance of the duties required of them by Canons or as directed by the Vestry. The receipt of the Rector, Priest-in-Charge, or the Wardens shall be a proper voucher, such receipt stating the item of expense.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): The Treasurer should be a member of the congregation where that person will serve as Treasurer. It is not Diocesan practice, nor is it suitable, to appoint someone outside the membership of the congregation.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE III, Canon 3 THE WARDENS

EXISTING:

Section 3.1 Care and Use of Church Building

The Wardens shall have a care that the Church building shall be kept free from all secular uses, and that it be opened for all services, rites, ceremonies, or other purposes, either authorized or approved by the Protestant Episcopal Church in the United States of America and in this Diocese and for no other purpose, and that it be kept in good repair as becometh the House of God.

PROPOSED:

Section 3.1 Care and Use of Church Building

The Wardens shall have a care that the Church building shall be kept free from all secular uses, and that it be opened for all services, rites, ceremonies, or other purposes, either authorized or approved by the Protestant Episcopal Church in the United States of America and in this Diocese and for no other purpose, and that it be kept in good repair as ~~becometh~~ be worthy of the House of God.

IF AMENDED:

Section 3.1 Care and Use of Church Building

The Wardens shall have a care that the Church building shall be kept free from all secular uses, and that it be opened for all services, rites, ceremonies, or other purposes, either authorized or approved by the Protestant Episcopal Church in the United States of America and in this Diocese and for no other purpose, and that it be kept in good repair as be worthy of the House of God.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): “Becometh” is an archaic word no longer in use in modern language.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE III, Canon 6 OFFERINGS

EXISTING:

Section 6.2 Whitsunday Offering

On Whitsunday, or the first Sunday service thereafter, an offering shall be made in each

Parish or Mission for the Episcopal Endowment Fund. The Trustees of this Fund, in their Annual Report, shall publish the names of the Parishes and/or Missions that have remitted to the Fund in the past year.

PROPOSED:

Section 6.2 ~~Whitsunday~~ Pentecost Offering

~~On Whitsunday, or the first Sunday service thereafter~~ the Feast of Pentecost, an offering shall be made in each Parish or Mission for the Episcopal Endowment Fund. The Trustees of this Fund, in their Annual Report, shall publish the names of the Parishes and/or Missions that have remitted to the Fund in the past year.

IF AMENDED:

Section 6.2 Pentecost Offering

On the Feast of Pentecost, an offering shall be made in each Parish or Mission for the Episcopal Endowment Fund. The Trustees of this Fund, in their Annual Report, shall publish the names of the Parishes and/or Missions that have remitted to the Fund in the past year.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): “Whitsunday” is an archaic name for the Feast of Pentecost no longer in use in practice or in the Book of Common Prayer.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

**TITLE III, Canon 9
INCORPORATION OF A DIOCESAN ENTITY**

EXISTING:

Section 9.6 Incorporation of a Diocesan Entity

Any Diocesan entity, as defined herein, may incorporate or exist in any corporate form upon and subject to the terms and conditions of the Constitution and Canons.

For the purpose of this Canon, the following terms shall have the meanings set forth below. The term “Diocesan entity” shall mean the Protestant Episcopal Church in the Diocese of Texas (the “Diocese”), any Parish or Mission of the Diocese, any Episcopal school of the Diocese, as defined in the Canons, and any other entity expressly identified, singularly or by category, in the Constitution and Canons as an instrumentality or entity of the Diocese. The terms “Constitution” or “Canons” shall mean the existing Constitution or Canons, respectively, of the Diocese, and any amendment thereof. The term “Act” shall mean the Texas Nonprofit Corporation Act and any amendment thereof.

Section 9.7 Consent of the Bishop

The Articles of Incorporation and By-Laws of each incorporated Diocesan entity, and any amendment, modification, or restatement thereof, shall at all times require the prior written consent of the Bishop. The Bishop shall have the right to require the amendment, modification, or restatement of the Articles of Incorporation, or By-Laws, or both, of each incorporated Diocesan entity at any time and from time to time as a condition to the Bishop's consent, or the continuation of such consent. If the office of Bishop is vacant, the rights and duties of the Bishop, as set forth in this Canon, shall be those of the Ecclesiastical Authority of the Diocese.

Section 9.8 Ministry Employees

All Youth Ministers, Directors of Christian Education, Directors of Lay Ministry, and Directors of any other ministry, whether compensated or otherwise, serving in any Diocesan Entity shall be adult confirmed communicants in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. Every Diocesan Entity shall report annually with respect to all Lay Ministry Directors: (1) the names, offices, and addresses of each Lay Ministry Director; (2) the Parish or Mission of which each Lay Ministry Director is an adult confirmed communicant in good standing; and (3) such other information as the Bishop may require.

PROPOSED:

Section ~~9.6~~ 9.1 ~~Incorporation of a Diocesan Entity~~ Authority to Incorporate

Any Diocesan entity, as defined herein, may incorporate or exist in any corporate form upon and subject to the terms and conditions of the Constitution and Canons.

For the purpose of this Canon, the following terms shall have the meanings set forth below. The term "Diocesan entity" shall mean the Protestant Episcopal Church in the Diocese of Texas (the "Diocese"), any Parish or Mission of the Diocese, any Episcopal school of the Diocese, as defined in the Canons, and any other entity expressly identified, singularly or by category, in the Constitution and Canons as an instrumentality or entity of the Diocese. The terms "Constitution" or "Canons" shall mean the existing Constitution or Canons, respectively, of the Diocese, and any amendment thereof. The term "Act" shall mean the Texas Nonprofit Corporation Act and any amendment thereof.

Section ~~9.7~~ 9.2 Consent of the Bishop

The Articles of Incorporation and By-Laws of each incorporated Diocesan entity, and any amendment, modification, or restatement thereof, shall at all times require the prior written consent of the Bishop. The Bishop shall have the right to require the amendment, modification, or restatement of the Articles of Incorporation, or By-Laws, or both, of each incorporated Diocesan entity at any time and from time to time as a

condition to the Bishop's consent, or the continuation of such consent. If the office of Bishop is vacant, the rights and duties of the Bishop, as set forth in this Canon, shall be those of the Ecclesiastical Authority of the Diocese.

~~Section 9.8 Ministry Employees~~

~~All Youth Ministers, Directors of Christian Education, Directors of Lay Ministry, and Directors of any other ministry, whether compensated or otherwise, serving in any Diocesan Entity shall be adult confirmed communicants in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. Every Diocesan Entity shall report annually with respect to all Lay Ministry Directors: (1) the names, offices, and addresses of each Lay Ministry Director; (2) the Parish or Mission of which each Lay Ministry Director is an adult confirmed communicant in good standing; and (3) such other information as the Bishop may require.~~

IF AMENDED:

Section 9.1 Authority to Incorporate

Any Diocesan entity, as defined herein, may incorporate or exist in any corporate form upon and subject to the terms and conditions of the Constitution and Canons.

For the purpose of this Canon, the following terms shall have the meanings set forth below. The term "Diocesan entity" shall mean the Protestant Episcopal Church in the Diocese of Texas (the "Diocese"), any Parish or Mission of the Diocese, any Episcopal school of the Diocese, as defined in the Canons, and any other entity expressly identified, singularly or by category, in the Constitution and Canons as an instrumentality or entity of the Diocese. The terms "Constitution" or "Canons" shall mean the existing Constitution or Canons, respectively, of the Diocese, and any amendment thereof. The term "Act" shall mean the Texas Nonprofit Corporation Act and any amendment thereof.

Section 9.2 Consent of the Bishop

The Articles of Incorporation and By-Laws of each incorporated Diocesan entity, and any amendment, modification, or restatement thereof, shall at all times require the prior written consent of the Bishop. The Bishop shall have the right to require the amendment, modification, or restatement of the Articles of Incorporation, or By-Laws, or both, of each incorporated Diocesan entity at any time and from time to time as a condition to the Bishop's consent, or the continuation of such consent. If the office of Bishop is vacant, the rights and duties of the Bishop, as set forth in this Canon, shall be those of the Ecclesiastical Authority of the Diocese.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): The name of former section 9.6 has been

changed to more clearly describe this section. This section and former section 9.7 have been renumbered to correct subsection formatting. Former section 9.8 is duplicative of language in Title III, Canon 1.6, where it properly belongs.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE III, Canon 11 EPISCOPAL SCHOOLS

EXISTING:

Section 11.1 Relationship to the Diocese

All schools or other educational facilities providing secular education for young people equivalent to that provided by nursery schools or on the kindergarten, grade school, grammar school, or high school level, and located on any premises used for the benefit of or operated under the control, auspices, or approval of any Parish, Mission, organization, or institution of the Diocese, or any combination or group thereof, shall be an Episcopal School of the Diocese, and no such school shall be established, maintained, or operated without the written approval and consent of the Bishop of the Diocese of Texas. The Principal, Headmaster, or Headmistress of an Episcopal School of the Diocese shall be a confirmed communicant in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. The Head of Congregation (or if there be none, the Senior Warden) of the sponsoring Parish or Mission shall be a member *ex-officio* and Chair of the governing board of the school; provided that, in the absence of or at the pleasure of the Head of Congregation, a designee of the Head of Congregation may serve from time to time as Chair.

PROPOSED:

Section 11.1 Relationship to the Diocese

All schools or other educational facilities providing secular education for young people equivalent to that provided by nursery schools or on the kindergarten, grade school, grammar school, or high school level, and located on any premises used for the benefit of or operated under the control, auspices, or approval of any Parish, Mission, organization, or institution of the Diocese, or any combination or group thereof, shall be an Episcopal School of the Diocese, and no such school shall be established, maintained, or operated without the written approval and consent of the Bishop of the Diocese of Texas. ~~The Principal, Headmaster, or Headmistress~~The Head of School of an Episcopal School of the Diocese shall be a confirmed communicant in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. The Head of Congregation (or if there be none, the Senior Warden) of the sponsoring Parish or Mission shall be a member *ex-officio* and Chair of

the governing board of the school; provided that, in the absence of or at the pleasure of the Head of Congregation, a designee of the Head of Congregation may serve from time to time as Chair.

IF AMENDED:

Section 11.1 Relationship to the Diocese

All schools or other educational facilities providing secular education for young people equivalent to that provided by nursery schools or on the kindergarten, grade school, grammar school, or high school level, and located on any premises used for the benefit of or operated under the control, auspices, or approval of any Parish, Mission, organization, or institution of the Diocese, or any combination or group thereof, shall be an Episcopal School of the Diocese, and no such school shall be established, maintained, or operated without the written approval and consent of the Bishop of the Diocese of Texas. The Head of School of an Episcopal School of the Diocese shall be a confirmed communicant in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. The Head of Congregation (or if there be none, the Senior Warden) of the sponsoring Parish or Mission shall be a member *ex-officio* and Chair of the governing board of the school; provided that, in the absence of or at the pleasure of the Head of Congregation, a designee of the Head of Congregation may serve from time to time as Chair.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): The omitted terms are no longer used to describe the head of an Episcopal school in the Diocese. Head of School is inclusive of all of these terms.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

**TITLE V, Canon 7
DIOCESAN ST. JAMES HOUSES**

EXISTING:

Section 7.1 Homes for Senior Citizens – Name

Authority for the establishment of homes for Senior Citizens within the Diocese is vested in Diocesan St. James Houses, a corporation organized as an instrumentality of the Diocese, with supervisory jurisdiction over all such homes.

Section 7.2 Trustees – Powers and Duties

(a) The affairs of Diocesan St. James Houses shall be conducted by a Board of Trustees consisting of not fewer than nine and not more than 24 members

nominated by the Bishop and elected by Council, in addition to the Bishop who shall be an *ex-officio* member and Chair of the Board. The Bishop may appoint the Bishop Coadjutor, if there be one, or any Bishop Suffragan as a member of the Board; and if the Bishop does not elect to serve on the Board, such Bishop Coadjutor or Bishop Suffragan so appointed shall be an *ex-officio* member and Chair of the Board. If the term of the person who served as the President of the Board for the immediately preceding year has expired, such past President, shall be an *ex-officio* member of the Board of Trustees for one year from the end of his/her term, serving in that capacity with voice but no vote (each member, including both elected and *ex-officio* members, is referred to herein as a "Trustee"). Eight members shall constitute a quorum.

(b) Each Annual Council shall elect no fewer than three and no more than eight Trustees for three-year terms. Upon the expiration of the first full term of a member of the Board, that Board member may be renominated for a second full term. Upon the expiration of the partial term of a member of the Board, that Board member may be renominated for a full term and, at the conclusion of the first full term, may be renominated for a second full term. No retiring member of the Board who has served two full terms shall be renominated until one year has elapsed; provided, a past President serving on the board as an *ex-officio* member for an additional year pursuant to Section 7.2 shall be eligible for re-election upon the completion of such year. Any vacancies existing or occurring in the Board may be filled by the Board for the unexpired term.

Section 7.3 Reports, Records, and Funds

(a) The Board of Trustees shall submit a written report at each Annual Council, covering its operations and financial condition. Each report shall include separate reports from each House operating under its supervision.

(b) Reports of operations and the financial condition of each House shall be furnished the Board of Trustees, and all books and records of each House shall be made available for their examination.

(c) All funds and properties received by Diocesan St. James Houses, as gifts, legacies, and from all other sources, shall be used for the purpose of establishing St. James Houses throughout the Diocese and providing financial assistance to such Houses, provided any available funds may be allocated and distributed to each House in such manner as the Board of Trustees may determine.

Section 7.4 St. James House of Baytown

St. James House of Baytown is a Diocesan St. James House.

PROPOSED:

~~Section 7.1 Homes for Senior Citizens—Name~~

~~Authority for the establishment of homes for Senior Citizens within the Diocese is vested in Diocesan St. James Houses, a corporation organized as an instrumentality of the Diocese, with supervisory jurisdiction over all such homes.~~

~~Section 7.2 Trustees — Powers and Duties~~

~~(a) The affairs of Diocesan St. James Houses shall be conducted by a Board of Trustees consisting of not fewer than nine and not more than 24 members~~

~~nominated by the Bishop and elected by Council, in addition to the Bishop who shall be an *ex-officio* member and Chair of the Board. The Bishop may appoint the Bishop Coadjutor, if there be one, or any Bishop Suffragan as a member of the Board; and if the Bishop does not elect to serve on the Board, such Bishop Coadjutor or Bishop Suffragan so appointed shall be an *ex-officio* member and Chair of the Board. If the term of the person who served as the President of the Board for the immediately preceding year has expired, such past President, shall be an *ex-officio* member of the Board of Trustees for one year from the end of his/her term, serving in that capacity with voice but no vote (each member, including both elected and *ex-officio* members, is referred to herein as a "Trustee"). Eight members shall constitute a quorum.~~

~~(b) Each Annual Council shall elect no fewer than three and no more than eight Trustees for three-year terms. Upon the expiration of the first full term of a member of the Board, that Board member may be renominated for a second full term. Upon the expiration of the partial term of a member of the Board, that Board member may be renominated for a full term and, at the conclusion of the first full term, may be renominated for a second full term. No retiring member of the Board who has served two full terms shall be renominated until one year has elapsed; provided, a past President serving on the board as an *ex-officio* member for an additional year pursuant to Section 7.2 shall be eligible for re-election upon the completion of such year. Any vacancies existing or occurring in the Board may be filled by the Board for the unexpired term.~~

~~Section 7.3 Reports, Records, and Funds~~

~~(a) The Board of Trustees shall submit a written report at each Annual Council, covering its operations and financial condition. Each report shall include separate reports from each House operating under its supervision.~~

~~(b) Reports of operations and the financial condition of each House shall be furnished the Board of Trustees, and all books and records of each House shall be made available for their examination.~~

~~(c) All funds and properties received by Diocesan St. James Houses, as gifts, legacies, and from all other sources, shall be used for the purpose of establishing St. James Houses throughout the Diocese and providing financial assistance to such~~

~~Houses, provided any available funds may be allocated and distributed to each House in such manner as the Board of Trustees may determine.~~

~~Section 7.4 St. James House of Baytown~~

~~——— St. James House of Baytown is a Diocesan St. James House.~~

IF AMENDED:

[This Canon was repealed in 2017.]

SUBMITTED BY: The Boards of Directors of St. James House of Baytown and St. James House Foundation and The Right Reverends C. Andrew Doyle, Dena A. Harrison, and Jeff W. Fisher

RATIONALE (by the Submitters): In 2016, with the approval of the Executive Board and the Standing Committee, the Diocese sold St. James House of Baytown to an organization that owns and operates other senior living facilities. The proceeds of sale will be transferred to the St. James House Foundation, which will use the funds, along with its existing endowment, to support a new ministry to senior citizens in need that it is in the process of envisioning. The Diocese has no other St. James Houses and no plans to develop or operate any others. As a result, this Canon is now superfluous.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE V, CANON 9 EPISCOPAL FOUNDATION OF TEXAS

EXISTING:

Section 9.1 An Instrumentality of the Diocese

The Episcopal Foundation of Texas, a nonprofit corporation organized and existing by virtue of the laws of the State of Texas (the Foundation), is hereby designated as an instrumentality of the Diocese to hold and administer, subject to Article 9 of the Constitution, and Title III.8, the following:

(1) All assets, properties, and distributions heretofore or hereafter received by the Diocese from the Estate of H. H. Coffield, Deceased, except dispositions, if any, heretofore made by the Church Corporation, shall be set aside and appropriated for the purpose of creating a fund which shall be known as the Coffield Fund. The corpus of the Coffield Fund shall be placed in a permanent fund and shall not be expended; provided, if so determined by the Board of Trustees of the Foundation, with consent of the Bishop, portions of the corpus of the Coffield Fund may, from time to time and at any time, be (a) loaned to The Bishop Quin Foundation, and (b) given, granted, loaned, or advanced for the purpose of establishing one or more memorials to the memory of H. H. Coffield,

Deceased. Subject only to the requirements of the Foundation, all of the income from the Coffield Fund shall, from time to time, be placed in a revolving fund. Portions of the revolving fund may be given, granted, loaned, or advanced to (a) The Bishop Quin Foundation, (b) Camp Allen, (c) Diocesan Saint James Houses, (d) St. Stephen's Episcopal School, (e) the Episcopal Theological Seminary of the Southwest, (f) the University of the South, (g) St. Vincent's House, and (h) El Buen Samaritano Episcopal Mission. Subject to the foregoing, with consent of the Bishop, the Foundation shall give ten percent (10%) of the amount from time to time placed in the revolving fund for other general purposes of the Diocese, excluding the Budget of the Diocese, which purpose may include gifts, grants, loans, and advances to Episcopal Relief and Development and other charitable trusts, nonprofit corporations, and national organizations affiliated with the Protestant Episcopal Church in the United States of America, all as may from time to time and at any time hereafter be designated by the Trustees of the Foundation, with consent of the Bishop.

PROPOSED:

Section 9.1 An Instrumentality of the Diocese

The Episcopal Foundation of Texas, a nonprofit corporation organized and existing by virtue of the laws of the State of Texas (the Foundation), is hereby designated as an instrumentality of the Diocese to hold and administer, subject to Article 9 of the Constitution, and Title III.8, the following:

(1) All assets, properties, and distributions heretofore or hereafter received by the Diocese from the Estate of H. H. Coffield, Deceased, except dispositions, if any, heretofore made by the Church Corporation, shall be set aside and appropriated for the purpose of creating a fund which shall be known as the Coffield Fund. The corpus of the Coffield Fund shall be placed in a permanent fund and shall not be expended; provided, if so determined by the Board of Trustees of the Foundation, with consent of the Bishop, portions of the corpus of the Coffield Fund may, from time to time and at any time, be (a) loaned to The Bishop Quin Foundation, and (b) given, granted, loaned, or advanced for the purpose of establishing one or more memorials to the memory of H. H. Coffield, Deceased. Subject only to the requirements of the Foundation, all of the income from the Coffield Fund shall, from time to time, be placed in a revolving fund. Portions of the revolving fund may be given, granted, loaned, or advanced to (a) The Bishop Quin Foundation, (b) Camp Allen, (c) Episcopal High School ~~Diocesan Saint James Houses~~, (d) St. Stephen's Episcopal School, (e) the Episcopal Theological Seminary of the Southwest, (f) the University of the South, (g) St. Vincent's House, and (h) El Buen Samaritano Episcopal Mission. Subject to the foregoing, with consent of the Bishop, the Foundation shall give ten percent (10%) of the amount from time to time placed in the revolving fund for other general purposes of the Diocese, excluding the Budget of the Diocese, which purpose may include gifts, grants, loans, and advances to Episcopal Relief and Development and other charitable trusts, nonprofit corporations, and national organizations affiliated with the Protestant Episcopal Church in the United States of

America, all as may from time to time and at any time hereafter be designated by the Trustees of the Foundation, with consent of the Bishop.

IF AMENDED:

Section 9.1 An Instrumentality of the Diocese

The Episcopal Foundation of Texas, a nonprofit corporation organized and existing by virtue of the laws of the State of Texas (the Foundation), is hereby designated as an instrumentality of the Diocese to hold and administer, subject to Article 9 of the Constitution, and Title III.8, the following:

(1) All assets, properties, and distributions heretofore or hereafter received by the Diocese from the Estate of H. H. Coffield, Deceased, except dispositions, if any, heretofore made by the Church Corporation, shall be set aside and appropriated for the purpose of creating a fund which shall be known as the Coffield Fund. The corpus of the Coffield Fund shall be placed in a permanent fund and shall not be expended; provided, if so determined by the Board of Trustees of the Foundation, with consent of the Bishop, portions of the corpus of the Coffield Fund may, from time to time and at any time, be (a) loaned to The Bishop Quin Foundation, and (b) given, granted, loaned, or advanced for the purpose of establishing one or more memorials to the memory of H. H. Coffield, Deceased. Subject only to the requirements of the Foundation, all of the income from the Coffield Fund shall, from time to time, be placed in a revolving fund. Portions of the revolving fund may be given, granted, loaned, or advanced to (a) The Bishop Quin Foundation, (b) Camp Allen, (c) Episcopal High School, (d) St. Stephen's Episcopal School, (e) the Episcopal Theological Seminary of the Southwest, (f) the University of the South, (g) St. Vincent's House, and (h) El Buen Samaritano Episcopal Mission. Subject to the foregoing, with consent of the Bishop, the Foundation shall give ten percent (10%) of the amount from time to time placed in the revolving fund for other general purposes of the Diocese, excluding the Budget of the Diocese, which purpose may include gifts, grants, loans, and advances to Episcopal Relief and Development and other charitable trusts, nonprofit corporations, and national organizations affiliated with the Protestant Episcopal Church in the United States of America, all as may from time to time and at any time hereafter be designated by the Trustees of the Foundation, with consent of the Bishop.

SUBMITTED BY: The Board of Directors of Episcopal Foundation of Texas

RATIONALE (by The Board of Directors of Episcopal Foundation of Texas): The purpose of this amendment is to substitute Episcopal High School for Diocesan St. James Houses on the list of permitted beneficiaries of the Coffield Fund. It is appropriate to delete St. James House because the Diocese has sold St. James House to another operator of senior living facilities and to add Episcopal High School to put it on an equal footing with other Diocesan institutions.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE V, Canon 9
EPISCOPAL FOUNDATION OF TEXAS

EXISTING:

Section 9.4 Properties

The Foundation shall have authority to receive properties and funds by gift, devise, or otherwise, and to hold, manage, operate, invest, and re-invest the same under, pursuant to, and in accordance with the provisions of this Canon, the by-laws adopted by the Board, and the Trust instrument or corporate charter creating the same. All of the property and funds of the Foundation and the accumulation thereof shall be held and administered to effectuate this purpose. In case of the liquidation, dissolution, or winding up of the Foundation, whether voluntary, involuntary, or by operation of law, the assets and properties of the Foundation shall be distributed in such manner as the Board of Trustees shall direct; provided, however, that any such distribution shall be such as is calculated to carry out exclusively the purposes for which the Foundation is formed, or for one or more other exempt purposes within the meaning of the applicable provisions of the Internal Revenue Code of 1954, as amended, or any similar Federal statute then in effect, and the rules and regulations pursuant thereto.

PROPOSED:

Section 9.4 Properties

The Foundation shall have authority to receive properties and funds by gift, devise, or otherwise, and to hold, manage, operate, invest, and re-invest the same under, pursuant to, and in accordance with the provisions of this Canon, the by-laws adopted by the Board, and the Trust instrument or corporate charter creating the same. All of the property and funds of the Foundation and the accumulation thereof shall be held and administered to effectuate this purpose. In the event of the dissolution of the Foundation, by lapse of time or otherwise, no funds or property or rights thereto of the Foundation shall be transferred to private ownership, and all such funds or property or rights thereto of the corporation shall be applied and distributed as follows: (i) funds or property or rights thereto held by the Foundation on a condition requiring return, transfer or conveyance because of the dissolution shall be returned, transferred or conveyed in accordance with such requirement, and (ii) the remaining funds or property or rights shall be distributed to the Protestant Episcopal Church Council of the Diocese of Texas ("Church Corporation"), or if the Church Corporation fails or refuses to accept the same, to one or more organizations approved in writing by the Bishop of the Diocese or, if the office of Bishop is vacant, by the Ecclesiastical Authority of the Diocese; provided, that all such organizations are described in section 501(c)(3) and sections 509(a)(1), (a)(2), or (a)(3) of the Internal Revenue Code of 1986, as amended.~~In case of the liquidation, dissolution, or winding up of the Foundation, whether voluntary, involuntary, or by operation of law, the assets and properties of the Foundation shall be distributed in such manner as the Board of Trustees shall direct; provided, however, that any such distribution shall be such as is calculated to carry out exclusively the purposes for which the Foundation is formed, or for one or more other exempt purposes within the meaning~~

~~of the applicable provisions of the Internal Revenue Code of 1954, as amended, or any similar Federal statute then in effect, and the rules and regulations pursuant thereto.~~

IF AMENDED:

Section 9.4 Properties

The Foundation shall have authority to receive properties and funds by gift, devise, or otherwise, and to hold, manage, operate, invest, and re-invest the same under, pursuant to, and in accordance with the provisions of this Canon, the by-laws adopted by the Board, and the Trust instrument or corporate charter creating the same. All of the property and funds of the Foundation and the accumulation thereof shall be held and administered to effectuate this purpose. In the event of the dissolution of the Foundation, by lapse of time or otherwise, no funds or property or rights thereto of the Foundation shall be transferred to private ownership, and all such funds or property or rights thereto of the corporation shall be applied and distributed as follows: (i) funds or property or rights thereto held by the Foundation on a condition requiring return, transfer or conveyance because of the dissolution shall be returned, transferred or conveyed in accordance with such requirement, and (ii) the remaining funds or property or rights shall be distributed to the Protestant Episcopal Church Council of the Diocese of Texas ("Church Corporation"), or if the Church Corporation fails or refuses to accept the same, to one or more organizations approved in writing by the Bishop of the Diocese or, if the office of Bishop is vacant, by the Ecclesiastical Authority of the Diocese; provided, that all such organizations are described in section 501(c)(3) and sections 509(a)(1), (a)(2), or (a)(3) of the Internal Revenue Code of 1986, as amended.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): This revision brings the Foundation's Canon into compliance with current Diocesan policy, which requires that, upon dissolution of any Diocesan non-profit corporation, the entity's remaining funds and property be distributed to the Church Corporation in order to ensure that the assets remain in the Diocese to further the work of the Diocese.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE V, Canon 11

ST. VINCENT'S HOUSE OF GALVESTON

EXISTING:

Section 11.2 Directors and Powers

The management of the affairs of St. Vincent's House shall be conducted by a Board of Directors consisting of not less than 15 nor more than 30 elected members, in addition to the Bishop of the Diocese, or the Bishop Coadjutor, if there be one, or any Suffragan Bishop of the Diocese assigned to the Board by the Bishop, who shall be an *ex-officio* member. All members

of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate St. Vincent's House on its own financial responsibility in accordance with its charter and in accordance with the Constitution and Canons of the Diocese of Texas and by-laws, which the Board of Directors shall adopt.

PROPOSED:

The management of the affairs of St. Vincent's House shall be conducted by a Board of Directors consisting of not less than ~~6~~ 15 nor more than ~~24~~ 30 elected members, in addition to the Bishop of the Diocese, or the Bishop Coadjutor, if there be one, or any, Bishop Suffragan ~~Suffragan Bishop~~ of the Diocese assigned to the Board by the Bishop, who shall be an ex-officio member. All members of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate St. Vincent's House on its own financial responsibility in accordance with its charter and in accordance with the Constitution and Canons of the Diocese of Texas and by-laws, which the Board of Directors shall adopt.

IF AMENDED:

The management of the affairs of St. Vincent's House shall be conducted by a Board of Directors consisting of not less than 6 nor more than 24 elected members, in addition to the Bishop of the Diocese, or the Bishop Coadjutor, if there be one, or any Bishop Suffragan of the Diocese assigned to the Board by the Bishop, who shall be an *ex-officio* member. All members of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate St. Vincent's House on its own financial responsibility in accordance with its charter and in accordance with the Constitution and Canons of the Diocese of Texas and by-laws, which the Board of Directors shall adopt.

SUBMITTED BY: The Board of Directors of St. Vincent's House of Galveston and The Right Reverend Jeff W. Fisher

RATIONALE (by the Submitters): The purpose of this amendment—reducing the required size of the board—is to make it easier for St. Vincent's House to fill vacancies on the board with well qualified candidates for director and to result in a more efficient and more engaged board. The amendment also adopts the currently used terminology for the title of the Bishop Suffragan.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

COMMITTEE ON NOMINATIONS

Treasurer

Linda Riley Mitchell, Diocese of Texas

Secretary

The Rev. Canon John Logan, Diocese of Texas

Church Corporation

Jerry Campbell, St. Alban's, Waco

William Ennis, Calvary, Bastrop

Steven Runner, St. Andrew's, Houston

Helen Toombs, Palmer Memorial, Houston

Standing Committee Lay

Richard O'Dell, Christ Church, Mexia

Marcia Quintanilla, San Mateo, Houston

Hugh Walker, St. Cuthbert, Houston

Standing Committee Clergy

The Rev. Hannah Atkins, Trinity, Houston

The Rev. Todd Bryant, Ascension, Houston

The Rev. James Pevehouse, St. Mary's, Bellville

Executive Board Lay

Rebecca Brindley, St. Michael's, Austin

Ralph Fulenwider, Grace, Georgetown

Melinda Little, St. Thomas, Houston

S. Wayne Mathis, St. Andrew's, Houston

Connie Merhley, St. Francis, College Station

Dorothy Bertone Miller, Hope, Houston

Gregory Vincent, St. James, Austin

Sandra Ward, St. John's, Austin

Michelle Allen, St. Augustine of Hippo, Galviston

Executive Board Clergy

The Rev. Simon Bautista Betances, Christ Church Cathedral, Houston

The Rev. Les Carpenter, St. Aidan's, Cypress

The Rev. Anthony Clark, St. Mark's, Beaumont

The Rev. Lisa Hines, Calvary, Bastrop

The Rev. Paulette Magnuson, St. Martin's, Copperas Cove

The Rev. Brandon Peete, St. Stephen's, Houston

Sewanee Trustee

The Rev. Rebecca Smith Booth, Trinity, Baytown

The Rev. Chuck Treadwell, St. David's, Austin

Deputy to General Convention and Delegate to Provincial Synod, Clergy

The Rev. Cynthia Caruso, All Saints, Austin
The Rev. Elizabeth Dowell, St. John's, Columbus
The Rev. Susan Kennard, Trinity, Galveston
The Rev. Patrick Miller, St. Mark's, Houston
The Rev. Alex Montes-Vela, St. Mary Magdalene, Manor
The Rev. Eileen O'Brian, Houston Canterbury
The Rev. Chuck Treadwell, St. David's, Austin
The Rev. Robby Vickery, St. Michael's, Austin

Deputy to General Convention and Delegate to Provincial Synod, Lay

Clementine Arana, Epiphany, Houston
Linda Barry, Holy Comforter, Spring
Jerry Campbell, St. Alban's Waco
Katherine Gould, St. John's, La Porte
David Harvin, St. Martin's, Houston
Dorothy Bertone Miller, Hope, Houston
Luz Montes, San Mateo, Houston
Richard O'Dell, Christ Church, Mexia
Laura Thewalt, St. Stephen's, Houston
Michelle Umana, St. Paul's/San Pablo, Houston
Sarah Watkins, St. James, Austin

COMMITTEE ON RESOLUTIONS

The Committee received one resolution for consideration at the 168th Council of the Episcopal Diocese of Texas:

Authorization for an Assistant Bishop

WHEREAS, in the opinion of the Bishop of the Episcopal Diocese of Texas, the Diocese requires additional episcopal services; and

WHEREAS, the Executive Board and the Standing Committee of the Episcopal Diocese of Texas have approved the hiring of an Assistant Bishop for the Diocese; and

WHEREAS, the Standing Committee has consented to the submission of this resolution to the 168th Council of the Episcopal Diocese of Texas; therefore be it

RESOLVED, that the 168TH Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, hereby approves the creation of the position of Assistant Bishop for the Diocese and authorizes the Bishop of the Episcopal Diocese of Texas to appoint a Bishop for this position, with the consent of the Standing Committee of the Diocese, under such terms and conditions as the Bishop may determine.

Proposed by: The Right Reverend C. Andrew Doyle, The Right Reverend Dena A. Harrison, and The Right Reverend Jeff W. Fisher, Members of the Standing Committee, Members of the Executive Board..

The Resolutions Committee, the Executive Board of the Episcopal Diocese of Texas and Standing Committee of the Episcopal Diocese of Texas recommends adoption.

**Courtesy Resolutions of the 168th Annual Council of the
Episcopal Diocese of Texas**

Greetings to the Episcopal Diocese of West Texas

WHEREAS, the Council of the Episcopal Diocese of Texas in 1874 asked the General Convention to assume jurisdiction over “that portion of the state generally known as ‘Western Texas,’” for the purpose of forming the Missionary Diocese of West Texas; and

WHEREAS, during its 142-year life, the Episcopal Diocese of West Texas has been a blessing on all people within its jurisdiction, providing for the church gifted spiritual leaders and caring pastors; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas, the Mother Church, sends its greetings and blessings to the bishops, clergy and people of the Episcopal Diocese of West Texas, giving thanks for our continued partnership in the proclamation of the Good News of Jesus Christ.

Greetings to the Episcopal Diocese of Arkansas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ’s Church; therefore be it

RESOLVED, that the 168th Council of the Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Larry R. Benfield, Bishop of Episcopal Diocese of Arkansas.

Greetings to the Episcopal Diocese of Dallas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ’s Church; therefore be it

RESOLVED, that the 168thth Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. George R. Sumner, Bishop of Episcopal Diocese of Dallas.

Greetings to the Episcopal Diocese of Fort Worth

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. James Scott Mayer, Bishop of the Episcopal Diocese of Fort Worth.

Greetings to the Episcopal Diocese of Kansas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168thth Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Dean E. Wolfe, Bishop of the Episcopal Diocese of Kansas.

Greetings to the Episcopal Diocese of Northwest Texas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. James Scott Mayer, Bishop of the Episcopal Diocese of Northwest Texas.

Greetings to the Episcopal Diocese of Oklahoma

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Dr. Edward J. Konieczny, Bishop of the Episcopal Diocese of Oklahoma.

Greetings to the Episcopal Diocese of the Rio Grande

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168thth Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Michael Louis Vono, Bishop of the Episcopal Diocese of the Rio Grande.

Greetings to the Episcopal Diocese of West Missouri

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168thth Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Martin S. Field, Bishop of the Episcopal Diocese of West Missouri.

Greetings to the Episcopal Diocese of West Texas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas, assembled in, Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Gary R. Lillibridge, Bishop of the Episcopal Diocese of West Texas.

Greetings to the Episcopal Diocese of Western Kansas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168thth Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Michael P. Milliken, Bishop of the Episcopal Diocese of Western Kansas.

Greetings to the Episcopal Diocese of Western Louisiana

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas, assembled in Galveston, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Jacob W. Owensby, Bishop of the Episcopal Diocese of Western Louisiana.

Greetings to Seminarians and Iona Students

WHEREAS, the Episcopal Diocese of Texas currently has 9 seminarians preparing for Holy Orders attending the Seminary of the Southwest, Virginia Theological Seminary, and Sewanee School of Theology, as well as 14 students preparing for Holy Orders attending the Iona School for Ministry; therefore be it

RESOLVED, that the Secretary of the Diocese be requested to write each student to convey to him or her the best wishes of the 168th Annual Council of the Episcopal Diocese of Texas and a reminder that each has been remembered in the prayers of the Council.

On the Retirement of Clergy

WHEREAS, the Reverends Alejandro S. Montes, Dr. Thomas L. Day, Dr. Kathleen S. Russell, Nancy P. DeForest, J. Parker Jameson, Nick D. Novak, Michael B. Russell, Michael G. Wallens, Bowman Townsend, Leonard "Link" E. Hullar, and Robert "Bob" Merrill have faithfully served the Church and this diocese through their ministries in parishes, institutions, and boards; and

WHEREAS, these clergy retired from the active ministry during 2016; and

WHEREAS, the Episcopal Diocese of Texas has been richly blessed by their gifts in the service of our Lord; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas gives glory to God for their faithful witness and wishes them well in this new stage of life in Christ.

On the Retirement of Diocesan Staff

WHEREAS, Rochelle Childers, Martha Harvey, and Bob Biehl have faithfully served the Episcopal Diocese of Texas through their ministries; and

WHEREAS, as members of the Diocesan Staff they retired during the year 2016; and

WHEREAS, the Episcopal Diocese of Texas has been richly blessed by their gifts in the service of our Lord; therefore be it

RESOLVED, that the 168th Council of the Episcopal Diocese of Texas gives glory to God for their faithful witness and wishes them well in this new stage of life in Christ.

In Honor of Council Management Committee

WHEREAS, the people of the Episcopal Diocese of Texas saw fit to gather in Galveston, Texas, home to many vibrant and thriving ministries of our Diocese; and

WHEREAS, the Diocese is thankful for the outstanding service of the Council Management Committee under the coordination of Mary Cloud, as well as for the fine work of the Diocesan staff, clergy and laity, including countless volunteers from across the Diocese of Texas; therefore be it

RESOLVED, that the 168th Annual Council of the Episcopal Diocese of Texas gives praise to God for the dedicated ministry of the Council Management Committee members, including the Rev. Canon Kathryn M. Ryan, Chair; Mary Cloud, Diocesan Council Coordinator; David Harvin, Chancellor ex officio; the Rev. William Fowler, Chair for the Dispatch of Business; Susan Duif, Carol Barnwell, Alice Kerr, Sara Myers, Tammy Tiner, John Flanagan, the Rev. Dean Lawrence, Seth Hinkley, the Rev. Kenneth L. Fields, Rob Montgomery, Joanne Starbuck, and Nick Johnson.

Susan Kennard, Chair

III. REPORTS OF BISHOPS, GENERAL CONVENTION AND SYNOD

REPORT OF BISHOP DENA A. HARRISON

As always, this has been a busy year. filled with many activities, sadnesses and joys. Our congregations continue to be a source of inspiration to me as I visit around the diocese. They are so engaged with the church's mission that amazing things become almost predictable!

*This journal reporting period has encompassed two November meetings of the Province VII bishops (2015 in Albuquerque, 2016 at Camp Allen). These gatherings are very helpful and productive as we share information, talk about provincial matters, and do theological reflection together. For the first time, we are working toward an electronic provincial meeting in preparation for the next General Convention.

*El Buen Samaritano in Austin has had an incredible year of building infrastructure and processes which raise quality and efficiency, allowing us to serve more people more effectively. Hopefully, "El Buen" will receive certification in 2017 as a Patient Centered Medical Home. This reinforces our focus on the whole person. We are also hopeful that during 2017 we will be approved as a Head Start location for about thirty children. CEO Iliana Gilman continues to lead with vision and skill.

Save the date of September 29, 2017: Bishop Doyle and I will host the 30th Anniversary Gala for El Buen. It seems impossible that so much time has passed since the days of the small rock house on West Mary Street! Come and celebrate "the little ministry that grew!"

*The Seminary of the Southwest is embarking on another great year with a large class of students studying for ordination and a healthy enrollment in lay programs in the Loise Wessendorf Center for Christian Ministry and Vocation.

With a new director of Formation Outreach, SSW is shaping new programming to offer to the church for education. It is also formally “folding in” the successfully-piloted Iona Initiative for local formation of clergy, now including 12 schools representing 19 dioceses.

Having completed a new Master Plan, SSW will be conducting a feasibility study for its next capital campaign. The Master Plan envisions two or three phases of development. This process is being ably led by Dean Cynthia Kittredge.

*In February, Bishop Fisher and I enjoyed hosting the annual Bishops Suffragan Retreat for suffragans around the church. We saw the Austin sights and enjoyed reflecting and learning together.

*A highlight of the spring was Starry Nights, Austin, a fundraiser for Camp Allen scholarships. We honored two couples from Christ Church, Tyler: Renee and Bill Carberry and Kerry and John Hancock. It was a great night with these exemplary servant leaders.

*At the end of May, Larry and I had the privilege of visiting our companion diocese of Costa Rica. Our trip coincided with a mission group from Palmer, Houston. As we toured the diocese with Bishop Hector Monterroso, we learned a great deal about mission and ministry and appreciated their gracious hospitality.

*The House of Bishops met twice this year – once at Camp Allen and once in Detroit. The Detroit meeting featured a norovirus which proved to have an unfortunate effect on attendance at meetings. However, all survived, and numerous educational opportunities were offered.

*It was a particular privilege this year to serve as a co-consecrator for the new Bishop of Western North Carolina, The Rt. Rev. Jose McLoughlin. Bishop McLoughlin was formerly the Canon to the Ordinary in Oklahoma and has been a charter member and leader for the Iona Initiative.

*Service on national committees this year included the Committee on Nominations for General Convention 2018, the Disciplinary Board for Bishops, and the Gathering of Leaders Steering Committee.

*St. Stephen’s Episcopal School in Austin welcomed a new headmaster from Fort Worth, Mr. Christopher Gunnin. He brings particular expertise in curriculum development and leadership and is off to a great start in this school year.

*The Commission on Ministry has been extraordinarily busy this year in redesigning and implementing a new discernment process for the diocese. Three Discovery Retreats, open to everyone, have been held, and over one hundred people have been trained for Regional Discernment Committee membership.

The Commission has been focused on raising up lay leaders as well as clergy leaders, believing that we must have vibrant vocations in all orders of ministry to carry out our mission. The new lay track in the Iona School enhances this effort.

*The Iona School for Ministry has new leadership, with The Rev. Mark Crawford serving as Dean for Priestly Formation and The Rev. Deacon Mary Lenn Dixon serving as Dean for Diaconal and Lay Formation. They will build upon the excellent foundation laid by the founding Dean, The Rev. Sam Todd.

A robust entering class of eighteen have begun studies in the Bi-vocational Priesthood, the Diaconate, and the Lay Ministry tracks.

*The Governance Committee of the Executive Board continues its work on revising our Canons. The purpose is to support the mission of the Church and to provide clarity

and consistency throughout the Canons. Mr. David Todd, St. Richard's, Round Rock, has served with distinction for several years to lead this process.

*In November the Episcopal Health Foundation held an introductory meeting in Austin for an important offering to congregations. Training in learning about community needs is being offered through a partnership of the Foundation and Austin Interfaith. This training provides a way for congregations to build skills for connecting with our communities; this connection is one of the important markers of healthy congregations.

*Throughout the year, the Diocesan staff has worked to refine our reorganization and to become more productive together. This has been both challenging and fulfilling: it is hard to learn new patterns, but it is much easier to see our progress. I have found the process to be very inspiring and encouraging.

It is a privilege to work with our diocesan staff in all three offices. They work very hard, with great devotion to the mission of God through the diocese, and I appreciate each one of them.

*Finally, a moment of personal privilege: It has indeed been a privilege to serve for these years with Canon Mary MacGregor, who retires at this Council. Mary has labored on our behalf in so many ways and in so many venues that they can hardly be numbered. Her devotion to the health of the Church has renewed us and challenged us to be all that Our Lord would have us be. She has rolled with the punches, morphed her job as required, changed her focus as requested, and all with a true servant heart. The Diocese is richer for her accomplished and pivotal role among us. Blessings, Mary!

Dena A. Harrison, Suffragan Bishop

REPORT OF BISHOP JEFF W. FISHER

Through your generosity, and with the support and pitching in of all the diocesan staff, I was able to take a sabbatical over the summer of 2016. The Quin Foundation offers sabbatical grants to many of our clergy; I was the grateful recipient of a grant to help fund my sabbatical. Because I travel so much in my work, my sabbatical was mainly focused on staying at home, or staying in one place for over a week at a time.

In twelve years of ordained ministry, this was my first real sabbatical. I knew that it was planned well, because it did not feel like an extended vacation. Instead, it was a time to really unplug from email and other responsibilities, and to recharge and regroup for the next season of my ministry with you. I give thanks that I am a part of a team of bishops, with Bishop Doyle and Bishop Harrison, which allows us each to step back and rest every now and then.

While my sabbatical was a large piece of my work in 2016, in addition to my work and visitations in our congregations, below is a description of many of the ministries that I serve in our diocese and the wider Church:

Pastoral Ministries

As the Executive for Pastoral Ministry, with the other bishops, we aim to be attentive to the pastoral concerns of all of our clergy. The Rev. Canon Carol Petty, Canon for Wellness and Care, along with a team of other clergy, work with me to provide more resources for clergy and their families, resources that promote clergy and family wellness and care. Our Chaplains to the Retired Clergy help us greatly in providing pastoral care to our retired clergy and their families, including the annual Retreat for Retired Clergy, Spouses & Surviving Spouses, which takes place again at Camp Allen in May of 2017.

St. James House in Baytown

For almost 60 years, St. James House of Baytown has been our diocesan retirement community. As the Chair of the Board of Trustees, I led our Board through a period of evaluation and reflection regarding the future of St. James House. We utilized the expertise and resources of Greystone, a senior living advisory firm based in Dallas, to guide us in our work. After looking at several different feasibility models, and with much prayer and deliberation, the Board made the decision to exit the Baytown location. TrustCare Management purchased St. James House of Baytown; the transaction closed on September 30, 2016, transferring the care of our residents and the ministries of our staff. This transaction was authorized by the Board of St. James House, as well as by the Standing Committee and Executive Board. In the week before the sale, a worship service of Holy Eucharist was offered in the chapel of St. James House, celebrating the long-time ministry of the Diocese of Texas in that place, as well as passing over the reins of care to TrustCare. Wes Bard, Executive Director, and Pam Nolting, President of the Board, worked tirelessly and faithfully to accomplish this transfer. Proceeds from the sale will go into the St. James House Foundation, which has previously existed for many years. In 2017, the St. James House Foundation Board will be expanded, to include a broader representation of our diocese, so that we may continue to envision how we may impact seniors in our diocese. Please pray for that work of discernment ahead.

St. Vincent's House in Galveston

St. Vincent's House provides hope and healing to the people on Galveston Island. As the Chair of the Board of St. Vincent's House, I regret to report that we ended 2015 in a challenging place financially. Yet through the hard work of a new Board, and the diligence of the Rev. Freda Marie Brown, Executive Director, and her staff, we have turned a corner at St. Vincent's House, with greater financial and operational health. We have slowly expanded the Board back, improved operations, and focused on working to a realistic budget. Great thanks to Bob Fleming, who stepped up as President of the Board; and to John Speich, of Trinity in Galveston, who stepped up as Treasurer. A successful Board retreat in November of this year, attended by our largest funding partners, has put us on a trajectory toward a strategic plan for the next five years, focused not only on hope and healing, but also the transformation of lives on Galveston Island.

The Episcopal Church Women (ECW), Daughters of the King (DOK) & Diocesan Altar Guild

Lisa Martin from St. Mark's in Austin serves as the ECW president. The format for the Annual Retreat for Women includes an entire weekend, from Friday evening to Sunday noon. I was pleased to preside and preach at the Opening Eucharist of the Annual Retreat for Women in October of 2016, during a week that was challenging for many women in our country.

The Daughters of the King meet in a diocesan assembly twice each year, in the spring and in the fall. In 2016, I was honored to preach and preside at the opening worship at the spring assembly in Marshall. I was away on sabbatical when the fall assembly was held at Camp Allen. Renate Walker from Good Shepherd in Friendswood is the DOK President for our diocese.

Ellen Cook from St. Thomas the Apostle in Nassau Bay is our Diocesan Altar Guild Directress. The Diocesan Altar Guild provides valuable information to altar guilds in all our congregations and they will hold a retreat in May of 2017, which will be a good time

of learning and sharing. The Diocesan Altar Guild will also help us when we host The General Convention in Austin in 2018.

Little Church Club

The Little Church Club is for all people, lay and clergy, in churches that usually have an average Sunday attendance of 50 or fewer. Meeting twice a year at Camp Allen for a 24-hour period, we share ideas for ministry and enjoy fellowship. We usually have 40 or 50 people attend each gathering; however, during 2017, I would like to broaden the number of smaller churches who are represented in our times together. Everyone in a smaller congregation is welcome!

Cursillo

Cursillo is an avenue for renewal in our diocese and throughout the wider Church, with three or four weekend retreats offered at Camp Allen each year. In 2015, we introduced “In Step” as a re-imagining of the traditional Cursillo weekend, with a shorter format. In Step and traditional Cursillo weekends are both offered, on a rotating basis. For more information, please contact the Rev. Cindy Clark of Epiphany in Calvert, who serves as the Spiritual Director of Cursillo.

All Saints’ Episcopal School in Tyler

I serve on the Board of All Saints’ Episcopal School in Tyler. In May of 2016, the long-awaited chapel on the campus was completed, as well as new office space for the Tyler Diocesan Center, located adjacent to the chapel. Moving into new offices last spring was exciting, as well as a time to go through old files and materials, regrouping for ministry. On November 2, with all three bishops of our diocese present, we dedicated our new office space. Also during 2016, All Saints’ welcomed Mike Cobb as the new Head of School; I am enjoying our collaboration and the new beginnings on the campus.

Administrative Assistant

My beloved administrative assistant, Martha Harvey, announced her retirement at the end of 2016. She has served our diocese faithfully for 12 years. For hundreds, maybe thousands, she has been the voice of the Diocese of Texas, to those who call us on the phone. Known for her caring and her diligence to God’s mission, she will be greatly missed by all of us. I am in the process of interviewing for her successor; I know you will welcome that person to the Tyler Diocesan Center well.

The General Convention

The Diocese of Texas is hosting The General Convention in Austin in 2018. Halley Ortiz of St. David’s in Austin and I serve as co-chairs of the planning team. In collaboration with the General Convention Office of the wider Episcopal Church, along with the Presiding Bishop, Michael Curry, and the President of the House of Deputies, Gay Jennings, we have been working to transform The General Convention from just an internal legislative meeting, to an experience that opens up The Episcopal Church to the state of Texas and to the world. Stay tuned for more plans; the Diocese of Texas, as host, is going to shine!

The Episcopal Church

In service to the wider Church, I am serving in my second 3-year term on the Joint Audit Committee of the Executive Council and the DFMS (the official name of The Episcopal Church). This has been a challenging year to serve on this committee, as there has been a less than acceptable evaluation of the working culture of the Church Center in New York City, as well as changes in the Church Center staff. I have confidence in our

Presiding Bishop, who is determined to make the changes necessary to ensure integrity and a positive working environment. Given my career as an auditor prior to ordination, I am pleased to serve the wider Episcopal Church, keeping an eye on integrity in all our processes and among all the employees, with fiduciary responsibility.

After my sabbatical, I am back with you, recharged and renewed, for mission and ministry. Thank you for that gift of time away; thank you for the gift of serving with you, as we spread the good news that everyone is loved equally by God in Jesus Christ.

Jeff W. Fisher, Bishop Suffragan

REPORT OF RAYFORD B. HIGH

As a retired Bishop of the Diocese of Texas, I had the privilege of participating in several services, mostly within the Diocese of Texas and on two occasions outside the Diocese, representing the Diocese. Celebration of Holy Eucharist/Preach: 7; Funerals: 3; Ordination to priesthood: 2; Confirmation: 1; Consecration of Bishop: 1; Retirement of Bishop Eucharist/Reception service: 1. As always, it has been and continues to be my honor and privilege to a part of the Diocese of Texas family.

+Rayford B. High, Jr., D.D.,

Retired Bishop Suffragan of Texas and Retired Provisional Bishop of Fort Worth

DEPUTIES TO GENERAL CONVENTION AND DELEGATES TO PROVINCIAL SYNOD

Both General Convention and Provincial Synod meet in the same year (2018), the Synod meeting first and focusing mainly on preparations for General Convention. Council will elect one delegation to serve in both capacities. Diocesan Deputies to General Convention are four lay persons at least 18 years of age who are confirmed communicants in good standing within the Diocese and four clergy who are canonically resident in the Diocese. The Nominations Committee will submit the names of at least two persons for each position (persons may also be nominated from the floor), out of which four clergy and four lay persons will be chosen by vote of Council (and an equal number as Alternates). Those elected will be required to travel to Provincial Synod and for General Convention as well as meet on several occasions within and outside the Diocese in preparation for General Convention.

IV. REPORTS OF OFFICERS OF THE DIOCESE

HISTORIAN

The most recent edition of the history of the Episcopal Diocese of Texas may be obtained from the Alice Kerr in the diocesan office. In addition to this brief history, Lawrence Brown's "The Episcopal Church in Texas, 1838-1874 & 1875-1965" provides a more thorough analysis of our past.

Jimmy Abbott, Diocesan Historian

REGISTRAR

As registrar of the Diocese of Texas, I certify that to date in 2015, all ordinations held within the diocese and all transfers of clergy as well as clergy changes in each

congregation have been duly recorded.

John A. Logan, Jr., Registrar

SECRETARY

I am always grateful to those who have responded to the Bishop's request for reports to the *Journal* and those who have responded in time to get them printed in Volume I.

Again this year, delegate registration and certification forms for the 168th Council are to be filed online (do not send copies to the Diocesan Center). Forms of other materials for 2017 (such as the list of appointed/elected parochial officers) are already available on the diocesan Web site as a part of the Council registration forms. Please remember that Council registration and all of the other requested material is to be completed online. If you need assistance completing any of these forms, please contact the Diocesan office at splatt@epicenter.org.

As has been the case for the last several years, login ids and passcodes for Parochial Reports will be mailed directly from NYC to individual congregations. You should have received them in early December. **Please note that the workbooks for help in filling out the report are available online and will not be included in the packet.** As before, you are required to file your report online. Online filing will not begin until January 1 (the first day for filing). Again, please do not send a "hard copy" to the diocese as we are able to access the reports once they have been filed online. It is wise, however, to keep a hard copy of your Parochial Report for your own reference. I would remind you that regardless of what the preparation handbook says, by Diocesan Canon your Parochial Report is due in the New York office of the General Convention by the opening of Council. After January 1, we will be checking daily to see which Reports have been filed. If your Report is not on file by February 7, Diocesan Canons specify that you are not entitled to be seated or to have a vote in Council. Please make every effort to file your Parochial Report in a timely manner.

John A. Logan, Jr., Secretary

TREASURER

NOTE: The final 2016 Treasurer's Report will be posted to the Diocesan website and reviewed at special workshops before the opening of Council. It will also be published in Volume II of the *Journal*.

BALANCE SHEET

	Unaudited Nov. 30, 2016	Audited Dec. 31, 2015
ASSETS		
Cash and Marketable Securities	\$ 903,604	\$ 60,629
Prepaid Expenses	144,586	87,357
Accounts Receivable		
Assessments & Askings	431,059	399,664
Less: Allowance for Doubtful Accounts	(104,364)	(46,809)
Related Entities	153,532	226,087
Other	55,605	231,809
Notes Receivable	7,271	12,771
Fixed Assets	964,806	821,696
Less: Accumulated Depreciation	<u>(645,058)</u>	<u>(523,203)</u>
TOTAL ASSETS	<u>\$1,911,041</u>	<u>\$1,270,001</u>
LIABILITIES		
Accounts Payable		
Trade	\$ 59,660	\$ 269,969
Related Entities	55,615	23,285
Other	673,630	41,772
Discretionary Accounts	25,910	22,777
Deferred Revenue	86,920	51,844
Line of Credit	<u>-0-</u>	<u>350,000</u>
TOTAL LIABILITIES	<u>\$ 901,735</u>	<u>\$ 759,647</u>
NET ASSETS		
Net Assets	\$ 330,293	520,485
Net Assets – Special Accounts	180,062	222,640
Current Year – Revenue Over (Under) Expenses	<u>498,951</u>	<u>(232,771)</u>
TOTAL NET ASSETS	<u>\$1,009,306</u>	<u>\$ 510,354</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,911,041</u>	<u>\$1,270,001</u>

THE EPISCOPAL DIOCESE OF TEXAS

The information presented below is for the period January 1-November 30, 2016

DIOCESAN BUDGET

	Year to Date Amounts	2016 Adopted Budget
REVENUES		
Assessments	\$ 7,185,031	7,838,216
Foundation Support	267,083	325,000
Foundation Overhead	1,409,715	1,532,258
Other Revenues	520,038	534,526
TOTAL REVENUES	9,381,867	10,230,000
EXPENDITURES		
The Office of the Bishop		
Clergy Compensation	956,069	1,064,820
Lay Staff Compensation	405,141	472,133
Travel and Business	300,679	301,200
Clergy Conference	106,638	130,000
	1,768,527	1,968,153
Canonical Expenses		
Diocesan Council	244,533	289,500
General Convention	676	-
Other	82,867	95,000
	328,076	384,500
Ministry Expenses		
Staff Compensation	812,975	893,845
Campus Missions	569,739	722,000
Communications	113,874	185,000
Transition Ministry	4,641	10,000
Wellness and Care Ministry	91,383	105,500
Other	180,456	131,200
	1,773,068	2,047,545
Mission Amplification		
Staff Compensation	469,581	555,603
Congregational Vitality	336,400	319,500
Christian Formation/Youth	238,818	241,010
Texas Episcopal Service Corps	184,571	182,132
Intercultural Development	26,530	32,500
	1,255,900	1,330,745
Service and Outreach		
Support for the Episcopal Church	881,204	961,313

Support for the Anglican Communion	195,000	300,000
Mill. Dev. Goals, World Mission & Companion Dioceses	72,772	146,610
Other Outreach	36,304	50,500
	1,185,280	1,458,423
Administration Expenses		
Compensation	407,502	848,723
Information Technology	254,182	230,000
Overhead to EDOT Financial Services Corp.	306,203	334,040
Utilities, Janitorial, Repair & Maint.	152,472	180,000
General Office Expense	174,761	181,500
HR Consulting and Other Transition Costs	265,975	215,000
Health Insurance	658,513	679,915
Other Insurance	110,336	98,000
Other	233,141	273,456
	2,563,085	3,040,634
Special Accounts	8,979	-
TOTAL EXPENSES	8,882,915	10,230,000
NET CHANGE IN ASSETS	498,952	0-

Please contact Financial Services to answer any questions regarding the above Diocesan Financial information, insurance, property matters, or congregational finances.

Linda Riley Mitchell, CFO

EXECUTIVE BOARD

There have been three meetings of the Executive Board since the report to the 167th Council. A final meeting in 2016 has been scheduled for December 14th.

Wednesday, December 10, 2015. The 2016 Budget, which included several transitions and new hires for approved for presentation to the 167th Council. The reorganization of the Diocesan staff was discussed. The need to improve a Spanish presence in the Diocesan web pages was discussed. Changes with the Commission on Ministry were presented. A study of Diocesan compensation indicated that in most cases, the range is appropriate. It was announced that the new Tyler School building will include a Chapel.

Saturday, February 7, 2016. At a meeting of the Executive Board immediately following the adjournment of the 167th Annual Council, the following officers were elected: Bishop Harrison, Vice-Chair; Bob Biehl, Treasurer; John A. Logan, Jr., Secretary; Betsy Sullivan as Executive Board representative on the Nominations Committee.

Wednesday, April 13, 2016. Three new members were nominated to fill unexpired terms on the Board. A Compensation Committee has been formed to review the

compensation and benefits of diocesan clergy. A new Insurance Committee has been formed to review the implications of the proposed “Cadillac Tax” on insurance benefits. The Reverend Francene Young was introduced as the new Diocesan “Transition Minister.” It was announced that the 2018 General Convention Team had been meeting. Bishop Harrison will become the Head of the Iona School when Canon MacGregor retires. Continuing work on the restructuring of the Diocesan staff was reported. The Foundations and Boards are all healthy.

Wednesday, September 7, 2016. Additional proposed changes to the Diocesan Constitution and Canons were recommended to the Council Committee on Constitution and Canons for presentation to the 168th Annual Council. The Executive Board Committee on Diocesan Council reported a 3 year title for Councils (“Who is My Neighbor?”) but noted three as yet unresolved issues: the size of Council, a disconnect between Council Delegates and Congregational leaders, and a variation as to when Delegates are chosen. The Finance Committee reported that the audits of all the Foundations had been approved. The motion was made and adopted to accept The Episcopal Medical Trust’s recommendation to replace Aetna HMO with Anthem BCBS PPO 90/70 pending receipt of rates. A 6.2M Centennial Fund for proposed expansion at Camp Allen was announced with about 50% already pledged. The Treasurer reported that the Diocesan Line of Credit will be paid off. Those congregations with unpaid Assessments will be contacted to discuss their problems. In Executive Session, the Bishop discussed the sale of Saint James House.

John A. Logan, Jr., Secretary

V. DIOCESAN FOUNDATIONS

THE BISHOP QUIN FOUNDATION

“The Mission of the Bishop Quin Foundation is to Help Build the Church!” Our Mission Statement calls for us to do this “within the Episcopal Diocese of Texas with the advice and counsel of the Bishop of Texas and working with the Diocesan staff and the other foundations of the Diocese by continuing to increase and utilize our resources effectively.

Trustees are appointed to overlapping three-year terms by the Council of the Diocese of Texas. The Bishop and Treasurer of the Diocese are *ex officio* members of the board, with voice and vote. Elected members during the past year included; The Rev. John Himes, Mr. Gregory Vincent, and Mr. Tim Nutt (terms expiring in 2017); The Rev. Beth Magill, Ms. Carol Sue “Sukey” Fenoglio, and Ms. Karla Randle-Schapansky (terms expiring in 2018); and Ms. Sue Green, Dr. John Hancock, and The Rev. Bill Fowler (terms expiring in 2019). Officers elected by the Board were The Rev. Bill Fowler, President; Mr. Tim Nutt, Vice-President; Mr. Robert J. Biehl, Treasurer; Mr. David N. Fisher, Secretary; and Ms. Angela Smith, Assistant Secretary.

The Foundation established the following committees:

- Executive Committee – Conducts foundation business between meetings of the board. Members are; The Bishop of Texas (Chairman), Bill Fowler

(President & Convener), Tim Nutt, Karla Randle-Schapansky, and the Treasurer of the Diocese.

- Finance Committee – Monitors and evaluates the foundation's investments, oil and gas properties, and loan performance. Members are; Bill Fowler, Gregory Vincent, Tim Nutt, Robert Biehl, and David Fisher.
- Quin / EFT/ GCF Strategic Ministry Grant Committee – Joint Venture which supports the growth of congregations within the Episcopal Diocese of Texas. Bishop Quin Foundation members of the SMG Committee are Karla Randle-Schapansky (Co-chair), The Rev. John Himes, John Hancock, Tim Nutt, Sue Green, and Sukey Fenoglio.

Again this year, grants were provided to support the Curate/Intern Placement Program. Under this program, the Bishop Quin Foundation funds one half of the salaries of Curates/Interns placed in churches throughout the Diocese of Texas. The Trustees continue to believe that attracting and maintaining high quality talent is vital to the continued growth and success of the Diocese. This Bishop Quin Foundation supports Sabbatical Grants for our clergy and redevelopment grants to congregations.

The Strategic Mission Grant program is a collaborative venture with the Episcopal Foundation of Texas and the Great Commission Foundation. This program was modified in 2011. In 2016 there were a total of thirty-nine congregations in the Diocese receiving grant funds from the Strategic Mission Grant program. The Strategic Mission Grant committee took a "pause year" in 2016 and did not award new grants to focus on changing the grant guidelines and process for awarding grants in the future. Some of these changes include encouraging congregations to engage with their surrounding communities, focus in invitation, and the funding of missional communities.

Throughout the year, the Trustees relied on the hard work and skills of a dedicated and capable staff. We have been ably advised by Bishop Doyle and Canon Ryan and we are grateful for and feel blessed by their guidance, advice and support. Our efforts were coordinated throughout the year with the other foundations of the Diocese. It is a privilege to work with this exceptional group of Christians with one accord.

Bill Fowler, President

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church
in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2015 and 2014

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Board of Trustees of
The Bishop Quin Foundation:

We have audited the accompanying financial statements of The Bishop Quin Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

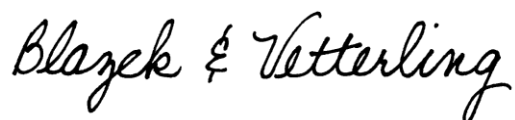
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bishop Quin Foundation as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May 18, 2016

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (<i>Notes 2 and 4</i>)	\$ 863,264	\$ 1,516,829
Notes receivable (<i>Note 3</i>):		
Diocesan operating entities	513,553	787,152
Related entities, net	429,002	750,579
Receivables from other Diocesan operating entities	177,485	261,098
Investments (<i>Note 4</i>)	30,701,716	32,494,067
Land	<u>574,230</u>	<u>574,230</u>
TOTAL ASSETS	<u>\$ 33,259,250</u>	<u>\$ 36,383,955</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,886	\$ 18,098
Due to other Diocesan operating entities	21,768	
Grants payable (<i>Note 5</i>):		
Related entities, net	169,500	235,000
Diocesan operating entities	84,100	30,000
Notes payable	<u> </u>	<u>89,586</u>
Total liabilities	<u>287,254</u>	<u>372,684</u>
Commitments (<i>Note 6</i>)		
Unrestricted board-designated net assets:		
Revolving fund	2,982,373	3,535,871
Permanent fund	<u>29,989,623</u>	<u>32,475,400</u>
Total unrestricted net assets	<u>32,971,996</u>	<u>36,011,271</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,259,250</u>	<u>\$ 36,383,955</u>

See accompanying notes to financial statements.

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE:		
Investment return (<i>Note 4</i>)	\$ (1,087,429)	\$ 2,770,732
Support from Episcopal Foundation of Texas	585,124	551,838
Interest on notes receivable from Diocesan operating and related entities	<u>53,861</u>	<u>74,384</u>
Total revenue	<u>(448,444)</u>	<u>3,396,954</u>
EXPENSES:		
Grants to related entities	1,383,469	1,258,473
Grants to other Diocesan operating entities	<u>781,293</u>	<u>195,000</u>
Total grants	2,164,762	1,453,473
Supporting services:		
Diocesan operating entities – administrative services	182,182	136,931
Investment management fees	107,702	138,149
Mineral interest and production expenses	104,339	110,828
Other management and general	<u>31,846</u>	<u>49,137</u>
Total expenses	<u>2,590,831</u>	<u>1,888,518</u>
CHANGES IN UNRESTRICTED NET ASSETS	(3,039,275)	1,508,436
Unrestricted net assets, beginning of year	<u>36,011,271</u>	<u>34,502,835</u>
Unrestricted net assets, end of year	<u>\$ 32,971,996</u>	<u>\$ 36,011,271</u>

See accompanying notes to financial statements.

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ (3,039,275)	\$ 1,508,436
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	2,834,658	(320,211)
Grants made by forgiveness of debt	362,039	
Changes in operating assets and liabilities:		
Receivables from other Diocesan operating entities	83,613	12,640
Accounts payable and accrued expenses	(6,212)	1,807
Due to other Diocesan operating entities	21,768	
Grants payable	<u>(11,400)</u>	<u>(127,500)</u>
Net cash provided by operating activities	<u>245,191</u>	<u>1,075,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	6,995,272	
Purchases of investments	(8,081,329)	(2,104,730)
Change in money market mutual funds held as investments	43,750	(79,333)
Payments received on notes receivable	267,579	1,535,831
Advances made on notes receivable	<u>(34,442)</u>	<u>(32,761)</u>
Net cash used by investing activities	<u>(809,170)</u>	<u>(680,993)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made on notes payable	<u>(89,586)</u>	<u>(1,818,489)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(653,565)	(1,424,310)
Cash and cash equivalents, beginning of year	<u>1,516,829</u>	<u>2,941,139</u>
Cash and cash equivalents, end of year	<u>\$ 863,264</u>	<u>\$ 1,516,829</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid on notes payable	\$2,093	\$19,445

See accompanying notes to financial statements.

The Bishop Quin Foundation (An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Bishop Quin Foundation (the Foundation) is a Texas nonprofit corporation, created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. It was incorporated in 1955 and organized under Canon 17, as amended, of the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. The broad objectives of the Foundation include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese. Members of the Board of Trustees are elected by the Council of the Diocese on nomination by the Bishop and include the Bishop as an ex-officio member and Chair of the Board of Trustees.

Related entities – The Executive Board of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Diocese. Pursuant to various Canons, the Executive Board has certain oversight responsibilities relating to the affairs of the Foundation and the following related Diocesan operating entities:

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish assessments.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *EDOT Financial Services Corporation* was created to provide human resources, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy throughout the Diocese.

The Foundation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of the Foundation. The accompanying financial statements do not include the assets, liabilities,

net assets, and activities of the related Diocesan operating entities, parishes, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from the Foundation, maintains separate financial records, and administers its own services and programs.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Cash equivalents are invested in money market mutual funds that are readily convertible to cash. Cash equivalents that are invested for long-term purposes are grouped with investments.

Notes receivable are reported at estimated net realizable value. Allowances for notes receivable are provided when it is believed they may not be collected in full and are adjusted annually to reflect changes in the expected future cash flows from impaired notes. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period is determined using a specific analysis of each receivable balance. A note receivable is considered impaired when it is considered probable that the Foundation will not collect all principal and interest amounts due under the terms of the agreement. No interest is accrued on impaired notes. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of receivables. At December 31, 2015, all known impaired loans have been reserved in the allowance for loan losses.

Investments in marketable securities and land held for sale are reported at fair value. Mineral interests are reported at lower of cost or fair value and are fully depleted. Purchases and sales of marketable securities are recorded on a trade-date basis. Realized and unrealized gains or losses on investments are determined by comparison of average costs of acquisitions to proceeds at the time of disposal, or stated fair value at the last day on the fiscal year, respectively. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of income is limited by donor-imposed restrictions.

Land is reported at cost.

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation. The board designations are described as follows:

- *Revolving fund* receives a transfer of income from the permanent fund and interest and other income related to non-investment assets. These funds may be loaned or granted for any purposes that the Bishop and Board of Trustees may determine to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Permanent fund* receives revenue from investments and royalties after the transfer of income to the revolving fund. By the Board of Trustees' action, income transfers are made from the permanent fund to the revolving fund based on 4% of the average fair market value of the fund for the prior three years. The investment return may be used at the discretion of the Board of Trustees.

Grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return, if material. Commitments made but not yet funded are reported as grants payable.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2015</u>	<u>2014</u>
Bank deposits	\$ 684,602	\$ 1,175,002
Money market mutual funds	<u>178,662</u>	<u>341,827</u>
Total cash and cash equivalents	<u>\$ 863,264</u>	<u>\$ 1,516,829</u>

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 3 – NOTES RECEIVABLE

Diocesan operating entities

The Foundation has a note agreement with Church Corporation at an interest rate of 2.5% due to be repaid in 2017. The remaining balance, including principal plus accrued interest at December 31, 2015, is \$513,553.

Related entities

The Foundation provides loans to Diocesan institutions to finance Diocesan projects. Repayment terms and interest rates vary and are flexible to meet the needs of the related entities. Interest rates range from 4% to 6% and repayment terms require periodic payments of principal and interest over periods ranging from 2 to 30 years.

Notes receivable from related entities consist of the following:

	<u>2015</u>	<u>2014</u>
Notes secured by real and other property	\$ 516,390	\$ 527,024
Unsecured notes receivable	<u>42,949</u>	<u>389,105</u>
Total notes receivable from related entities	559,339	916,129
Allowance for loan losses	<u>(130,337)</u>	<u>(165,550)</u>
Notes receivable from related entities, net	<u>\$ 429,002</u>	<u>\$ 750,579</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent, industry recognized vendors contracted by the Foundation’s custodian or independent appraisals.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability. Inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment. The types of investments in Level 3 include funds where the fair value for portfolio investments is estimated by the general partner using valuation methodologies that consider a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment.

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic bond mutual funds:				
Intermediate-term	\$ 4,220,599	\$ 4,220,599		
Inflation protected	2,410,738	2,410,738		
High-yield	1,780,180	1,780,180		
Domestic equity mutual funds:				
Large-cap index	2,224,177	2,224,177		
Large-cap growth	1,165,994	1,165,994		
Large-cap value	1,124,178	1,124,178		
Small-cap growth	750,499	750,499		
Small-cap value	733,439	733,439		
International equity mutual funds:				
Emerging markets	2,565,947		2,565,947	
Large-cap core	1,639,128		1,639,128	
Large-cap value	1,598,243		1,598,243	
International bond mutual funds	3,596,376		3,596,376	
Master limited partnership mutual fund	2,308,653		2,308,653	
Real estate mutual funds	1,905,061		1,905,061	
Commodity mutual fund	1,685,354		1,685,354	
Investment in EH Investment Fund, L.P. (a)			\$ 952,646	952,646
Money market mutual funds	40,504			40,504
Total investments	29,749,070		952,646	30,701,716
Money market mutual funds held as cash equivalents	178,662			178,662
Total assets measured at fair value	<u>\$ 29,927,732</u>	<u>\$ 0</u>	<u>\$ 952,646</u>	<u>\$ 30,880,378</u>

Assets measured at fair value at December 31, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic bond mutual funds:				
Intermediate-term	\$ 4,367,094	\$ 4,367,094		
Inflation protected	4,477,981	4,477,981		
High-yield	1,534,556	1,534,556		
Domestic equity mutual funds:				
Large-cap index	3,032,300	3,032,300		
Large-cap growth	1,519,923	1,519,923		
Large-cap value	1,511,108	1,511,108		
Small-cap growth	1,139,029	1,139,029		
Small-cap value	1,237,351	1,237,351		
International equity mutual funds:				
Emerging markets	1,953,056			1,953,056
Large-cap core	1,821,531			1,821,531
Large-cap value	1,862,305			1,862,305
International bond mutual funds	1,860,307			1,860,307
Master limited partnership mutual fund	1,628,199			1,628,199
Real estate mutual funds	1,846,382			1,846,382
Commodity mutual fund	1,622,643			1,622,643
Investment in EH Investment Fund, L.P. (a)			\$ 996,047	996,047
Money market mutual funds	<u>84,255</u>			<u>84,255</u>
Total investments	31,498,020		996,047	32,494,067
Money market mutual funds held as cash equivalents	<u>341,827</u>			<u>341,827</u>
Total assets measured at fair value	<u>\$ 31,839,847</u>	<u>\$ 0</u>	<u>\$ 996,047</u>	<u>\$ 32,835,894</u>

(a) EH Investment Fund, L.P. is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of the EHF over full market cycles of seven to ten years. The fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the fund will invest in include: global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed income, and cash and equivalents. Hall Capital Partners, LLC serves as the investment manager and the general partner (via one of its subsidiaries). There are two limited partners: EHF and the Foundation. As of December 31, 2015, EHF had a 99.89% interest in the fund and the Foundation had a .11% interest. At any given time, one third of the fund's portfolio assets can be liquidated within a 30-day time window. Redemptions are allowed at the end of each month with 10-days prior written notice. There are no unfunded commitments at December 31, 2015.

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Investment in EH Investment Fund, L.P.* is valued at the net asset value as determined by the general partner and supported by the audited financial statements of the fund.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in Level 3 assets measured at fair value during the year ended December 31, 2015 consist of the following:

Balance at December 31, 2014	\$ 996,047
Unrealized loss	<u>(43,401)</u>
Balance at December 31, 2015	<u>\$ 952,646</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and cash equivalents and consists of the following:

	<u>2015</u>	<u>2014</u>
Interest, dividends and capital gain distributions	\$ 1,117,357	\$ 1,099,836
Net realized and unrealized gain (loss)	(2,834,658)	320,211
Royalty income	<u>629,872</u>	<u>1,350,685</u>
Total investment return	<u>\$ (1,087,429)</u>	<u>\$ 2,770,732</u>

NOTE 5 – GRANTS PAYABLE

Grants payable at December 31, 2015 are expected to be paid as follows:

2016	\$ 126,600
2017	80,000
2018	<u>47,000</u>
Total	<u>\$ 253,600</u>

The Foundation has made approximately \$678,000 in grants to related entities that are conditional and have not been recognized as grants payable at December 31, 2015.

NOTE 6 – COMMITMENTS

During 2014, the Board of Trustees approved a loan to a parish for \$3 million to be repaid over 3 years at an interest rate of 2.5%. In connection with this agreement, the Foundation would enter into a \$3 million loan agreement with EFT. The note receivable from the parish would be guaranteed by Church Corporation. At December 31, 2015, the agreement and the related transactions had not been exercised, but are an ongoing commitment of the Foundation.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

CHURCH CORPORATION

The Protestant Episcopal Church Council of the Diocese of Texas, popularly known as the “Church Corporation,” serves the diocese by providing a vehicle for professional investment management to congregations and institutions throughout the diocese. This vehicle is called the Participating Fund and allows participants to pool their funds with others to achieve economies of scale and quality fiduciary management. Accounts of all sizes are accepted and invested together with the Church Corporation’s own funds by twelve nationally known investment managers in diversified asset classes. The Church Corporation also serves the diocese by holding title to property used by churches, day schools, outreach ministries, and other diocesan entities and by administering the Clergy Housing Trust and the Episcopal Housing Trust. The Church Corporation assists these entities in the stewardship of those properties through oversight and advice on planning, maintenance, expansion, and financing in furtherance of their mission. The financial activities of the Church Corporation are summarized in the statements that follow. The five trustees: David T. Harvin; Helen L. Toombs; Peter Boyd; Charles W. Hall; and I were ably assisted in 2016 by Robert J. Biehl, Assistant Treasurer; David N. Fisher, Assistant Secretary/Treasurer; and Angela Smith, Assistant Secretary.

Questions related to the report or any other matters may be addressed to Mr. David Fisher or the undersigned.

JoLynn Free, President

**Protestant Episcopal Church Council
of the Diocese of Texas**

**(An Instrumentality of the Protestant
Episcopal Church in the Diocese of Texas)**

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2015 and 2014

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Board of Trustees of the
Protestant Episcopal Church Council of the Diocese of Texas:

We have audited the accompanying financial statements of the Protestant Episcopal Church Council of the Diocese of Texas, which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Protestant Episcopal Church Council of the Diocese of Texas as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information – Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the fund financial statements on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

May 18, 2016

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 261,658	\$ 231,153
Notes receivable (Note 2)		
Clergy	658,226	862,253
Parishes and schools, net of allowance of \$17,016 in 2015 and 2014	2,377,345	2,425,735
Other, net of allowance of \$248,933 in 2015 and 2014	442,461	464,648
Land and buildings held for sale (Note 3)	1,463,834	1,214,993
Other assets	170,454	194,135
Beneficial interest in a trust (Note 3)	3,230,120	3,405,130
Investments (Note 3)	28,471,675	28,692,452
Property, net (Note 4)	<u>9,587,908</u>	<u>9,574,142</u>
TOTAL ASSETS	<u>\$ 46,663,681</u>	<u>\$ 47,064,641</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 37,473	\$ 20,590
Notes payable – line of credit (Note 5)	1,829,536	1,709,536
Due to Diocesan operating entities	71,552	257,111
Funds held for related entities	11,782,102	12,152,699
Notes payable (Note 5)	<u>6,809,034</u>	<u>7,287,152</u>
Total liabilities	<u>20,529,697</u>	<u>21,427,088</u>
Commitments and contingencies (Note 6)		
Net assets (Note 10):		
Unrestricted (Note 7)	10,339,059	10,133,682
Temporarily restricted (Note 8)	12,118,855	12,725,598
Permanently restricted (Note 9)	<u>3,676,070</u>	<u>2,778,273</u>
Total net assets	<u>26,133,984</u>	<u>25,637,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,663,681</u>	<u>\$ 47,064,641</u>

See accompanying notes to financial statements

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE				
Contributions		\$ 131,149		\$ 131,149
Transfer from Episcopal Health Foundation			\$ 1,055,369	1,055,369
Change in value of beneficial interest in a trust		(175,010)		(175,010)
Investment return, net (<i>Note 3</i>)	\$ (151,178)	(231,942)	(157,572)	(540,692)
Interest on notes receivable	125,602			125,602
Gain on valuation of property held for sale	440,834			440,834
Support from other Diocesan operating entities	<u>732,605</u>			<u>732,605</u>
Total revenue	1,147,863	(275,803)	897,797	1,769,857
Net assets released from restrictions for program purposes:				
Participating Funds	<u>330,940</u>	<u>(330,940)</u>		
Total	<u>1,478,803</u>	<u>(606,743)</u>	<u>897,797</u>	<u>1,769,857</u>
EXPENSES:				
Program services:				
Grants to related entities	664,269			664,269
Property costs for related entities	<u>196,438</u>			<u>196,438</u>
Total program services	860,707			860,707
Supporting services:				
Management and general	322,158			322,158
Investment management and custodial fees	<u>90,561</u>			<u>90,561</u>
Total expenses	<u>1,273,426</u>			<u>1,273,426</u>
CHANGES IN NET ASSETS	205,377	(606,743)	897,797	496,431
Net assets, beginning of year	<u>10,133,682</u>	<u>12,725,598</u>	<u>2,778,273</u>	<u>25,637,553</u>
Net assets, end of year	<u>\$ 10,339,059</u>	<u>\$ 12,118,855</u>	<u>\$ 3,676,070</u>	<u>\$ 26,133,984</u>

See accompanying notes to financial statements

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE				
Contributions	\$ 3,553	\$ 127,539		\$ 131,092
Change in value of beneficial interest in a trust		126,445		126,445
Investment return, net (<i>Note 3</i>)	274,396	567,951	\$ 96,727	939,074
Interest on notes receivable	154,609			154,609
Loss on sale of property held for sale	390,993			390,993
Gain on valuation of property held for sale	432,303			432,303
Other	<u>11,929</u>	<u> </u>	<u> </u>	<u>11,929</u>
Total revenue	1,267,783	821,935	96,727	2,186,445
Net assets released from restrictions for program purposes:				
Participating Funds	<u>369,339</u>	<u>(369,339)</u>	<u> </u>	<u> </u>
Total	<u>1,637,122</u>	<u>452,596</u>	<u>96,727</u>	<u>2,186,445</u>
EXPENSES:				
Program services:				
Grants to related entities	1,176,821			1,176,821
Property costs for related entities	<u>225,080</u>			<u>225,080</u>
Total program services	1,401,901			1,401,901
Supporting services:				
Management and general	339,695			339,695
Investment management and custodial fees	<u>91,909</u>			<u>91,909</u>
Total expenses	<u>1,833,505</u>			<u>1,833,505</u>
CHANGES IN NET ASSETS	(196,383)	452,596	96,727	352,940
Net assets, beginning of year	<u>10,330,065</u>	<u>12,273,002</u>	<u>2,681,546</u>	<u>25,284,613</u>
Net assets, end of year	<u>\$ 10,133,682</u>	<u>\$ 12,725,598</u>	<u>\$ 2,778,273</u>	<u>\$ 25,637,553</u>

See accompanying notes to financial statements

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 496,431	\$ 352,940
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	100,023	100,023
Gain on valuation of property held for sale	(440,834)	(390,993)
Grants forgiven by other Diocesan operating entities	(286,125)	
Change in value of beneficial interest in a trust	175,010	(126,445)
Net realized and unrealized (gain) loss on investments	1,643,281	(915,425)
Changes in operating assets and liabilities:		
Other assest	23,681	(34,412)
Accounts payable and accrued expenses	16,883	(29,255)
Grants payable to parishes and schools		(327,929)
Due to Diocesan operating entities	(185,559)	(4,114)
Funds held for related entities	<u>(370,597)</u>	<u>1,407,078</u>
Net cash provided by operating activities	<u>1,172,194</u>	<u>31,468</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	350,141	292,407
Advances on notes receivable	(75,537)	(278,526)
Proceeds from sales of investments	8,591,522	7,094,312
Purchases of property	(113,789)	
Purchases of investments	(8,398,334)	(7,999,614)
Net change in money market mutual funds held as investments	(1,615,692)	187,068
Proceeds from sale of property held for sale	<u>191,993</u>	
Net cash used by investing activities	<u>(1,069,696)</u>	<u>(704,353)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	120,000	6,791,196
Payments on notes payable	<u>(191,993)</u>	<u>(6,252,767)</u>
Net cash provided (used) by financing activities	<u>(71,993)</u>	<u>538,429</u>
NET CHANGE IN CASH	30,505	(134,456)
Cash, beginning of year	<u>231,153</u>	<u>365,609</u>
Cash, end of year	<u>\$ 261,658</u>	<u>\$ 231,153</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$79,110	\$100,020

See accompanying notes to financial statements.

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation) is a Texas nonprofit corporation created by the Protestant Episcopal Church in the Diocese in Texas (the Diocese), which was organized in Texas in 1836 and is a part of the Protestant Episcopal Church in the United States of America. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee.

Church Corporation, created in 1886, is authorized to receive, hold, manage, and administer funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it receives, holds, and manages funds held for the use and benefit of any parish or mission in the Diocese. Church Corporation is composed of the following funds:

- *Episcopal Housing Trust* provides residential housing or housing allowances for the Bishops of the Diocese and other clergy on the Diocesan staff.
- *Clergy Housing Trust* assists in providing residential housing loans or housing allowances for clergy canonically resident and engaged in full-time work within the Diocese.
- *Diocesan Properties Fund* holds property not being used by a constituent of the Diocese and facilitates the purchase and sale of real property within the Diocese.
- *Participating Funds* is an investment pool managed by Church Corporation. Church Corporation holds and manages portfolios of investments that are comprised of its own assets, as well as custodial assets held on behalf of related parishes and schools and other related Diocesan entities.

Related entities – The Executive Board of the Diocese is composed of the Bishop and fifteen members elected annually by the Council of the Diocese. The Executive Board is responsible for the supervision and direction of Church Corporation and the following related Diocesan operating entities:

- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish assessments.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated entities of the Diocese.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *EDOT Financial Services Corporation* was created to provide human resources, accounting, financial, administrative and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy throughout the Diocese.

Church Corporation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets and financial activities of Church Corporation. The accompanying financial statements do not include the assets, liabilities, net assets, and financial activities of the related Diocesan operating entities, parishes, schools, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from Church Corporation, maintains separate financial records, and administers its own services and programs.

Federal income tax status – Church Corporation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Notes receivable are reported at estimated net realizable value. Allowances for notes receivable are provided when it is believed they may not be collected in full and is adjusted annually to reflect changes in the expected future cash flows from impaired notes. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of each receivable balance. A note receivable is considered impaired when it is considered probable that Church Corporation will not collect all principal and interest amounts due under the terms of the agreement. No interest is accrued on impaired notes. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of receivables. At December 31, 2015, one note from a third party and one note from a parish have been deemed impaired and have been fully allowed.

Land and buildings held for sale are reported at fair value.

Beneficial interest in a trust is reported at the fair value of Church Corporation's estimated share of the trust assets. Church Corporation is the beneficiary of a charitable remainder unitrust and its share of the trust has been estimated using life expectancies and discount rates established by the Internal Revenue Service for the other beneficiaries benefiting from the trust. The change in the value of the trust from year to year is recognized as an increase or decrease in net assets in the statement of activities. Distributions received from the trust are classified as investment return.

Investments are reported at fair value. Purchases and sales of investments are reported on a trade-date basis. Realized and unrealized gains and losses on investments are determined by comparison of average costs of acquisitions to proceeds at the time of disposal, or stated fair value at the last day on the fiscal year, respectively. Interest and dividends are recognized as earned. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

Property is reported at cost if purchased and at fair value at the date of gift if donated. The title of all real property acquired or contributed to the Diocese is held by Church Corporation, except for real property, whose title is held by EFT, GCF, and Bishop Quin. These financial statements include only property used for the Diocesan Center, closed parishes, college ministries, and housing for bishops and clergy of the Diocese. Property transferred to Church Corporation by a parish no longer functioning as a church is reported at fair value at the time it is transferred from the congregation. Land and buildings for housing not utilized for Diocesan operations are not depreciated and are reported at cost.

Funds held for related entities consist of amounts collected on behalf of related entities where Church Corporation acts as an agent in collecting, disbursing, and investing funds. The transactions for these custodial accounts are not reflected as revenue or expenses in the statement of activities.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and related revenue restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. The investment return from these assets may be used to fund specific activities of Church Corporation.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – NOTES RECEIVABLE

Church Corporation provides housing loans to bishops of the Diocese, clergy on Diocesan staff, and clergy working within the Diocese. Interest rates are 5% to 6% and repayment terms require periodic payments of principal and interest over periods ranging from 3 to 25 years. These notes receivable are secured by land and houses. Additionally, Church Corporation provides property loans to parishes and missions within the Diocese. Church Corporation holds title to these properties. Interest rates are 2.5% to 6% and repayment terms require periodic payments of principal and interest ranging from 1 to 6 years.

Notes receivable from others are from three external organizations for the purchase of property with interest rates ranging from 7% to 7.25%. Payment terms require periodic payments of principal and interest ranging from 2 to 5 years. The notes are secured by land and buildings.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent, industry recognized vendors contracted by the Foundation's custodian or independent appraisals.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability. Inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment. The types of investments in Level 3 include funds where the fair value for portfolio investments is estimated by the general partner using valuation methodologies that consider a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment.

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic equity securities:				
Large-cap	\$ 3,913,757			\$ 3,913,757
Mid-cap	2,198,563			2,198,563
Preferred shares	1,284,539			1,284,539
Small-cap	420,357			420,357
Other	141,355			141,355
International equity securities	6,006,107			6,006,107
Alternative investments:				
Directional long/short hedge fund (a)			\$ 3,523,979	3,523,979
Absolute return hedge fund (b)			2,156,258	2,156,258
Managed futures fund (c)			678,788	678,788
Money market mutual funds	2,459,846			2,459,846
Exchange-traded funds	1,891,227			1,891,227
Fixed-income mutual funds	1,859,207			1,859,207
Corporate bonds and notes		\$ 750,102		750,102
U. S. Treasury securities		628,061		628,061
Mortgage-backed securities		559,529		559,529
Total investments	20,174,958	1,937,692	6,359,025	28,471,675
Beneficial interest in a trust			3,230,120	3,230,120
Land and buildings held for sale		1,463,834		1,463,834
Total assets measured at fair value	<u>\$ 20,174,958</u>	<u>\$ 3,401,526</u>	<u>\$ 9,589,145</u>	<u>\$ 33,165,629</u>

Assets measured at fair value at December 31, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic equity securities:				
Large-cap	\$ 4,679,088			\$ 4,679,088
Mid-cap	2,928,344			2,928,344
Preferred shares	1,575,717			1,575,717
Small-cap	1,965,674			1,965,674
Other	137,690			137,690
International equity securities	6,275,792			6,275,792
Alternative investments:				
Directional long/short hedge fund (a)			\$ 3,486,587	3,486,587
Absolute return hedge fund (b)			2,099,288	2,099,288
Managed futures fund (c)			696,330	696,330
Money market mutual funds	844,155			844,155
Fixed-income mutual funds	1,679,242			1,679,242
Corporate bonds and notes		\$ 1,045,854		1,045,854
U. S. Treasury securities		517,677		517,677
Mortgage-backed securities		761,014		761,014
Total investments	20,085,702	2,324,545	6,282,205	28,692,452
Beneficial interest in a trust			3,405,130	3,405,130
Land and buildings held for sale		1,214,993		1,214,993
Total assets measured at fair value	<u>\$ 20,085,702</u>	<u>\$ 3,539,538</u>	<u>\$ 9,687,335</u>	<u>\$ 33,312,575</u>

- (a) Directional long/short hedge fund is a group of hedge funds that seeks attractive long-term returns with low volatility to relevant equity indices with an emphasis on preservation of capital. This involves exposure to strategies, sub-strategies, styles, geographies, market and security types that may capture gains in strong markets while preserving capital in challenging environments. Investments would include, but are not limited to: U. S. long/short, Japan long/short, Europe long/short, event driven, global macro, global equity long and emerging growth. Fund investments are subject to gated restrictions upon liquidation requests. The provision of these restrictions is based upon the discretion of the investment manager and surrounding circumstances of market and economic events at the time of liquidation. As of the end of the reporting period, there were no fund investments subject to gated restrictions. Redemption of shares is allowed at the end of each quarter with 61- days prior written notice. There are no unfunded commitments at December 31, 2015.
- (b) Absolute return hedge fund invests primarily in relative value, event driven, long/short credit, and distressed securities strategies. The fund is designed to have low sensitivity to broad equity market returns. The fund's strategy is to invest in market-neutral and market-uncorrelated investment strategies in a combination that may deliver consistently positive and uncorrelated (to broad equity and fixed-income market indices) monthly returns. Fund investments are subject to gated restrictions upon liquidation requests. The provision of these restrictions is based upon the discretion of the investment manager and surrounding circumstances of market and economic events at the time of liquidation. As of the end of the reporting period, there were no fund investments subject to gated restrictions. Redemption of shares is allowed semi-annually based on the anniversary date of the investment with 95-days written notice. There are no unfunded commitments at December 31, 2015.
- (c) Managed futures fund focuses on managed futures and foreign exchange, offering daily liquidity and full transparency through a segregated managed account structure. Investors are offered diversification across trading styles and market sectors, allocating to over 20 managers who vary in size and in trend or non-trend- following strategies. The portfolio strategy is structured to give positive correlation in bull and negative correlation in bear markets. Fund investments are not subject to gated restrictions upon liquidation requests. Redemption of shares is allowed daily with 10-days written notice. There are no unfunded commitments at December 31, 2015.

Valuation methods used for assets measured at fair value are as follows:

- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Alternative investments* – Church Corporation uses net asset value per share (or its equivalent) to determine the fair value of investments in partnerships and corporations that do not have a readily determinable fair value. The fair value of these investments is based on information provided by the general partners and corporate directors of each fund. Management takes into consideration consultation with fund investment managers and audited financial information to determine overall reasonableness of the reported fair values.
- *Mutual funds* and *exchange-traded funds* are valued at the reported net asset value.
- *Corporate bonds and notes, U. S. Treasury securities* and *mortgage-backed securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate, yield curves and broker quotes, to calculate fair values.
- *Beneficial interest in a trust* is valued based upon an actuarial formula that is predictive of the future value of the trust and the life expectancy of the other beneficiary to the trust.
- *Land and buildings held for sale* are valued on appraised fair value or currently pending sales contracts.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Church Corporation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in Level 3 assets measured at fair value during the years ended December 31, 2015 and 2014 are as follows:

	DIRECTIONAL LONG/SHORT	ABSOLUTE RETURN	MANAGED FUTURES	BENEFICIAL INTEREST IN A TRUST	TOTAL
Balance at January 1, 2014	\$ 3,331,570	\$ 1,943,567	\$ 634,254	\$ 3,278,685	\$ 9,188,076
Change in beneficial interest in a trust				126,445	126,445
Unrealized gain	<u>155,017</u>	<u>155,721</u>	<u>62,076</u>		<u>372,814</u>
Balance at December 31, 2014	3,486,587	2,099,288	696,330	3,405,130	9,687,335
Change in beneficial interest in a trust				(175,010)	(175,010)
Unrealized gain (loss)	<u>37,392</u>	<u>56,970</u>	<u>(17,542)</u>		<u>76,820</u>
Balance at December 31, 2015	<u>\$ 3,523,979</u>	<u>\$ 2,156,258</u>	<u>\$ 678,788</u>	<u>\$ 3,230,120</u>	<u>\$ 9,589,145</u>

Unrealized gains on alternative investments are included in investment return and unrealized gain in the accompanying statement of activities. Change in value of beneficial interest in a trust is reflected in revenue in the accompanying statement of activities. The changes in unrealized gains (losses) relating to assets still held as of December 31, 2015 and 2014 are as reported above.

Investments are exposed to various risks such as interest rate, market and credit risks. In addition to risks associated with other investments, alternative investments in securities other than stocks and bonds include additional risks because of their complex nature and limited regulations resulting in a greater risk of losing invested capital. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 641,664	\$ 586,295
Net realized and unrealized gain (loss)	<u>(1,643,281)</u>	<u>915,425</u>
Total investment return	(1,001,617)	1,501,720
Investment return allocated to funds held for related entities	<u>460,925</u>	<u>(562,646)</u>
Investment return, net	<u>\$ (540,692)</u>	<u>\$ 939,074</u>

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2015</u>	<u>2014</u>
Buildings used in ministry:		
Diocesan Center	\$ 3,436,640	\$ 3,436,640
Other ministries	<u>494,100</u>	<u>494,100</u>
Total depreciable assets	3,930,740	3,930,740
Less: Accumulated depreciation	<u>(1,202,803)</u>	<u>(1,102,780)</u>
Net depreciable assets	2,727,937	2,827,960
Land used for ministry:		
Diocesan Center	2,220,000	2,220,000
Other ministries	201,470	201,470
Land and buildings held for anticipated future parish or school use	1,531,105	1,531,105
Land and buildings – Diocesan clergy housing	<u>2,907,396</u>	<u>2,793,607</u>
Property, net	<u>\$ 9,587,908</u>	<u>\$ 9,574,142</u>

NOTE 5 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2015</u>	<u>2014</u>
Non-interest bearing note payable to GCF.	\$ 6,308,007	\$ 6,500,000
Bank line of credit of \$5,000,000 with interest rate of prime less 1.5% (2.8% at December 31, 2015) through October 2016.	1,829,536	1,709,536
Note payable to Bishop Quin with interest rate of 2.5%.	501,027	501,027
Note payable to Bishop Quin with interest rate of 6%, secured by certain real estate holdings.		<u>286,125</u>
Total notes payable	<u>\$ 8,638,570</u>	<u>\$ 8,996,688</u>

The note payable to GCF is to be repaid from the net proceeds of land and buildings that are no longer being used as church sites. At December 31, 2015, land and buildings valued at approximately \$1,464,000 are being marketed for sale.

The note payable to Bishop Quin of \$501,027 is interest only until the remaining principal is paid, which is due in June 2017. The bank line of credit is due to be repaid in 2016 unless Church Corporation renews the agreement.

Interest expense for the years ended December 31, 2015 and 2014 was approximately \$258,000 and \$100,000, respectively. The 2015 amount includes inputted interest of \$179,000 related to the non-interest bearing note to GCF.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Church Corporation, as well as the related Diocesan operating entities of the Diocese, purchase professional and general liability insurance to cover losses that may result from asserted claims, as well as claims from unknown incidents that may be asserted in the future. Management does not expect such losses to have a material adverse effect on the financial position of Church Corporation.

Church Corporation is the guarantor on a \$1,000,000 line of credit for the Diocese. At December 31, 2015, there is a \$350,000 outstanding balance on this line of credit. Additionally, Church Corporation assists related entities such as parishes and schools in obtaining construction loans and acts as a guarantor on approximately \$5,000,000 of such loans with loan maturities through 2028.

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets are designated as follows:

	<u>2015</u>	<u>2014</u>
Diocesan Properties Fund	\$ 4,846,798	\$ 4,243,375
Participating Funds	4,120,414	4,463,821
Clergy Housing Trust	754,753	774,271
Episcopal Housing Trust	<u>617,094</u>	<u>652,215</u>
Total unrestricted net assets	<u>\$ 10,339,059</u>	<u>\$ 10,133,682</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Joan Golden Estate for support of abused children	\$ 4,010,943	\$ 4,228,181
Elise Casey Episcopal Trust for senior adult support	3,567,361	3,786,373
Ethel J. Ogden Restricted Episcopal Trust for youth education	1,008,820	1,030,638
Episcopal Endowment Fund for bishop support	536,990	584,630
Valda McWhirter Estate – Scholarship for St. Alban's, Waco	413,168	439,722
Bishop Kinsolving Memorial Scholarship Fund	409,307	464,641
Wallace O. Breedlove Family Fund for missions	386,628	404,955
Ralph Spence Clergy Spouses Fund	322,807	350,533
Elma Robertson Estate for family support	301,767	321,017
Valda McWhirter Estate – St. Alban's, Waco	227,372	238,150
The Reverend William David Roberts Memorial Fund for Iona School	184,408	195,240
St. Luke's Chaplaincy Fund	159,938	96,880
Kathy Wheless Memorial Scholarship Fund	148,694	155,742
Francis Emmett Stevens Fund for needs of the impoverished	98,765	
Wimberly Legacy Fund	92,495	167,520
Diocesan Scholarship Fund for nursing	72,095	75,512
Other	<u>177,297</u>	<u>185,864</u>
Total temporarily restricted net assets	<u>\$ 12,118,855</u>	<u>\$ 12,725,598</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested to support the following:

	<u>2015</u>	<u>2014</u>
Robert Maxey Episcopal Bequest benefits All Saints Chapel, Austin and St. David's Church, Austin	\$ 2,504,234	\$ 2,654,757
Bishop's Leadership Council Endowment benefits EHF	901,993	
SLEHC 15 th Anniversary Endowment benefits EHF	153,376	
Cynthia M. Hess Fund benefits St. Cyprian's Church	<u>116,467</u>	<u>123,516</u>
Total permanently restricted net assets	<u>\$ 3,676,070</u>	<u>\$ 2,778,273</u>

During 2015, EHF transferred two endowment funds totaling \$1,055,369 to the participating funds of Church Corporation. These endowment funds transferred benefit EHF.

NOTE 10 – ENDOWMENT FUNDS

Participating Funds of Church Corporation include approximately 38 individual funds that are established for a variety of purposes. Endowment assets include those assets of donor-restricted funds that Church Corporation must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Endowment net asset composition as of December 31, 2015:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds		\$ 8,888,736	\$ 3,676,070	\$ 12,564,806
Board-designated endowment funds	<u>\$ 4,120,414</u>			<u>4,120,414</u>
Endowment net assets	<u>\$ 4,120,414</u>	<u>\$ 8,888,736</u>	<u>\$ 3,676,070</u>	<u>\$ 16,685,220</u>

Endowment net asset composition as of December 31, 2014:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds		\$ 9,320,469	\$ 2,778,273	\$ 12,098,742
Board-designated endowment funds	\$ 4,463,821			4,463,821
Endowment net assets	<u>\$ 4,463,821</u>	<u>\$ 9,320,469</u>	<u>\$ 2,778,273</u>	<u>\$ 16,562,563</u>

Changes in net assets of the endowment funds are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2013	\$ 5,160,666	\$ 8,994,317	\$ 2,681,546	\$ 16,836,529
Contributions	<u>3,553</u>	<u>127,539</u>		<u>131,092</u>
Investment return:				
Interest and dividends	92,884	248,854		341,738
Net realized and unrealized gain	<u>181,169</u>	<u>319,098</u>	<u>96,727</u>	<u>596,994</u>
Investment return	274,053	567,952	96,727	938,732
Investment management fees	<u>(51,023)</u>	<u>(138,947)</u>		<u>(189,970)</u>
Net investment return	<u>223,030</u>	<u>429,005</u>	<u>96,727</u>	<u>748,762</u>
Distributions	<u>(923,428)</u>	<u>(230,392)</u>		<u>(1,153,820)</u>
Endowment net assets, December 31, 2014	<u>4,463,821</u>	<u>9,320,469</u>	<u>2,778,273</u>	<u>16,562,563</u>
Contributions and transfers		<u>131,149</u>	<u>1,055,369</u>	<u>1,186,518</u>
Investment return:				
Interest and dividends	97,789	298,751		396,540
Net realized and unrealized loss	<u>(249,184)</u>	<u>(530,693)</u>	<u>(157,572)</u>	<u>(937,449)</u>
Investment return	(151,395)	(231,942)	(157,572)	(540,909)
Investment management fees	<u>(45,951)</u>	<u>(127,136)</u>		<u>(173,087)</u>
Net investment return	<u>(197,346)</u>	<u>(359,078)</u>	<u>(157,572)</u>	<u>(713,996)</u>
Distributions	<u>(146,061)</u>	<u>(203,804)</u>		<u>(349,865)</u>
Endowment net assets, December 31, 2015	<u>\$ 4,120,414</u>	<u>\$ 8,888,736</u>	<u>\$ 3,676,070</u>	<u>\$ 16,685,220</u>

The Board of Trustees of Church Corporation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Church Corporation classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Church Corporation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, Church Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of Church Corporation and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Church Corporation
- The investment policies of Church Corporation

Return Objectives and Risk Parameters

Church Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and entities supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a portfolio that is invested 60% in the S&P 500 index and 40% in the Barclays Intermediate Bond Index while assuming a moderate level of investment risk. Church Corporation expects its endowment funds, over time, to provide an average rate-of-return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Church Corporation relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Church Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Church Corporation has a policy of not appropriating more than 3% of the Participating Funds' market value as of the end of the calendar year prior to the year in which the distribution is planned. In establishing this policy, Church Corporation considered the long-term expected return and the effects of inflation on its endowments. Accordingly, over the long-term, Church Corporation expects the current spending policy to allow its endowment to grow at an average rate of 2% annually. This is consistent with Church Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires Church Corporation to retain the fund as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2015 or 2014.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2015

	EPISCOPAL HOUSING TRUST	CLERGY HOUSING TRUST	DIOCESAN PROPERTIES FUND	PARTICIPATING FUNDS	TOTAL
REVENUE:					
Contributions				\$ 131,149	\$ 131,149
Transfer from Episcopal Health Foundation				1,055,369	1,055,369
Change in value of beneficial interest in a trust			\$ (175,010)		(175,010)
Investment return, net	\$ 102	\$ 37	78	(540,909)	(540,692)
Interest on notes receivable	17,839	24,728	83,035		125,602
Gain on valuation of property held for sale			440,834		440,834
Support from other Diocesan operating entities			732,605		732,605
Total revenue	<u>17,941</u>	<u>24,765</u>	<u>1,081,542</u>	<u>645,609</u>	<u>1,769,857</u>
EXPENSES:					
Program services:					
Grants to related entities			314,404	349,865	664,269
Property costs for related entities	<u>23,322</u>		<u>173,116</u>		<u>196,438</u>
Total program services	23,322		487,520	349,865	860,707
Supporting services:					
Management and general	29,740	44,283	165,609	82,526	322,158
Investment management and custodial fees				<u>90,561</u>	<u>90,561</u>
Total expenses	<u>53,062</u>	<u>44,283</u>	<u>653,129</u>	<u>522,952</u>	<u>1,273,426</u>
CHANGES IN NET ASSETS	(35,121)	(19,518)	428,413	122,657	496,431
Net assets, beginning of year	<u>652,215</u>	<u>774,271</u>	<u>7,648,504</u>	<u>16,562,563</u>	<u>25,637,553</u>
Net assets, end of year	<u>\$ 617,094</u>	<u>\$ 754,753</u>	<u>\$ 8,076,917</u>	<u>\$ 16,685,220</u>	<u>\$ 26,133,984</u>

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2014

	EPISCOPAL HOUSING TRUST	CLERGY HOUSING TRUST	DIOCESAN PROPERTIES FUND	PARTICIPATING FUNDS	TOTAL
REVENUE:					
Contributions				\$ 131,092	\$ 131,092
Change in value of beneficial interest in a trust			\$ 126,445		126,445
Investment return, net	\$ 11	\$ 14	317	938,732	939,074
Interest on notes receivable	20,681	25,221	108,707		154,609
Loss on sale of property held for sale			390,993		390,993
Gain on valuation of property held for sale			432,303		432,303
Other			11,929		11,929
Total revenue	<u>20,692</u>	<u>25,235</u>	<u>1,070,694</u>	<u>1,069,824</u>	<u>2,186,445</u>
EXPENSES:					
Program services:					
Grants to related entities			23,001	1,153,820	1,176,821
Property costs for related entities	<u>19,626</u>		<u>205,454</u>		<u>225,080</u>
Total program services	19,626		228,455	1,153,820	1,401,901
Supporting services:					
Management and general	29,913	52,661	159,060	98,061	339,695
Investment management and custodial fees				<u>91,909</u>	<u>91,909</u>
Total expenses	<u>49,539</u>	<u>52,661</u>	<u>387,515</u>	<u>1,343,790</u>	<u>1,833,505</u>
CHANGES IN NET ASSETS	(28,847)	(27,426)	683,179	(273,966)	352,940
Net assets, beginning of year	<u>681,062</u>	<u>801,697</u>	<u>6,965,325</u>	<u>16,836,529</u>	<u>25,284,613</u>
Net assets, end of year	<u>\$ 652,215</u>	<u>\$ 774,271</u>	<u>\$ 7,648,504</u>	<u>\$ 16,562,563</u>	<u>\$ 25,637,553</u>

EPISCOPAL FOUNDATION OF TEXAS

The value of the Episcopal Foundation of Texas increased slightly through the first three quarters of 2016 as a result of appreciation of the investment portfolio. At the end of the 3rd quarter in 2016 the assets of the Foundation totaled just under \$62.7 million which represents a increase in market value of just over \$1.2 million since the beginning of 2016. An increase in the value of the Foundation may provide a small increase in the funds available for grants in 2016, depending on the performance of the investment portfolio in the fourth quarter of 2016. Below is a list of the funds budgeted for the various institutions the Episcopal Foundation of Texas supports during the year ended December 31, 2016.

Grants in 2016:

St. Vincent's House	100,000
El Buen Samaritano	229,441
St. Stephen's School	100,000
Seminary of the Southwest	360,000
Camp Allen	150,000
The University of the South	250,000
The Bishop Quin Foundation	325,047
The Bishop Quin Foundation Strategic Mission	318,180
Tithe Grants	<u>137,434</u>
Total:	\$1,970,102

The accounting firm of Blazek & Vetterling LLP has completed auditing The Episcopal Foundation of Texas for the year 2015. There were no significant changes recommended in our accounting procedures. Copies of the Audit report are available in the Diocesan office and can be reviewed upon request.

If you have any questions about the Episcopal Foundation of Texas, please feel free to call me at the Diocesan Headquarters.

Bruce Harper
President

Episcopal Foundation of Texas

**(An Instrumentality of the Protestant Episcopal Church
in the Diocese of Texas)**

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2015 and 2014

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Board of Trustees of
Episcopal Foundation of Texas:

We have audited the accompanying financial statements of Episcopal Foundation of Texas (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

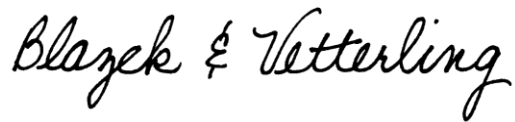
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Foundation of Texas as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the fund financial statements on pages 12 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, reading "Blazek & Vetterling". The script is cursive and fluid, with the ampersand clearly visible between the two names.

May 18, 2016

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash equivalents (<i>Note 2</i>)	\$ 1,549,633	\$ 1,565,135
Investment income receivable	48,278	232,165
Investments (<i>Note 2</i>)	59,043,379	60,146,314
Property, net (<i>Note 3</i>)	<u>893,440</u>	<u>969,800</u>
TOTAL ASSETS	<u>\$ 61,534,730</u>	<u>\$ 62,913,414</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable to other Diocesan entities	\$ 254,849	\$ 15,494
Grants payable (<i>Note 4</i>)	<u>2,453,319</u>	<u>811,554</u>
Total liabilities	<u>2,708,168</u>	<u>827,048</u>
Commitments (<i>Notes 4 and 5</i>)		
Unrestricted net assets:		
Coffield income fund	(13,507)	2,034,682
Coffield principal fund	58,561,749	59,752,847
Memorial fund	<u>278,320</u>	<u>298,837</u>
Total unrestricted net assets	<u>58,826,562</u>	<u>62,086,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,534,730</u>	<u>\$ 62,913,414</u>

See accompanying notes to financial statements.

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE:		
Investment return (<i>Note 2</i>)	\$ 2,039,796	\$ 6,789,418
Interest on note receivable from The Bishop Quin Foundation		14,375
Rent income (<i>Note 3</i>)	<u>59,616</u>	<u>60,116</u>
Total revenue	<u>2,099,412</u>	<u>6,863,909</u>
EXPENSES:		
Program grants:		
Related entities	3,080,146	1,826,707
Unrelated entities	<u>1,359,883</u>	<u>252,636</u>
Total program grants	<u>4,440,029</u>	<u>2,079,343</u>
Supporting services:		
Investment management costs	288,971	297,580
Mineral interest and production expenses	282,346	525,464
Diocesan operating entities – administrative services	234,088	157,613
Depreciation	76,360	76,360
Other administrative	<u>37,422</u>	<u>39,413</u>
Total supporting services	<u>919,187</u>	<u>1,096,430</u>
Total expenses	<u>5,359,216</u>	<u>3,175,773</u>
CHANGES IN UNRESTRICTED NET ASSETS	(3,259,804)	3,688,136
Unrestricted net assets, beginning of year	<u>62,086,366</u>	<u>58,398,230</u>
Unrestricted net assets, end of year	<u>\$ 58,826,562</u>	<u>\$ 62,086,366</u>

See accompanying notes to financial statements.

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ (3,259,804)	\$ 3,688,136
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	1,542,302	(516,245)
Depreciation	76,360	76,360
Changes in operating assets and liabilities:		
Investment income receivable	201,031	371,480
Accounts payable to other Diocesan entities	239,355	(3,919)
Grants payable	<u>1,641,765</u>	<u>355,000</u>
Net cash provided by operating activities	<u>441,009</u>	<u>3,970,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	8,851,688	23,221,869
Proceeds from mineral investments	3,281	703,245
Purchases of investments	(10,451,271)	(27,921,381)
Net sales (purchases) of money market mutual funds held as investments	1,139,791	(933,707)
Purchase of land	<u> </u>	<u>(64,506)</u>
Net cash used by investing activities	<u>(456,511)</u>	<u>(4,994,480)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments received on note receivable from The Bishop Quin Foundation		<u>1,750,000</u>
NET CHANGE IN CASH EQUIVALENTS	(15,502)	726,332
Cash equivalents, beginning of year	<u>1,565,135</u>	<u>838,803</u>
Cash equivalents, end of year	<u>\$ 1,549,633</u>	<u>\$ 1,565,135</u>

See accompanying notes to financial statements.

Episcopal Foundation of Texas

(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Episcopal Foundation of Texas (the Foundation), a Texas nonprofit corporation, is an instrumentality of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. The Foundation was designated by the Diocese to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to eight specific entities connected with the Diocese as established by Canon. The Foundation is governed by a Board of Trustees that is elected by the Council of the Diocese upon nomination of the Diocesan Bishop.

Related entities – The Executive Board (the Board) of the Diocese is composed of the Bishop and fifteen members elected annually by the Council of the Diocese. Pursuant to various Canons, the Board has certain oversight responsibilities relating to the affairs of the Foundation and the following related Diocesan operating entities:

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish assessments.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *EDOT Financial Services Corporation* was created to provide human resource, accounting, financial and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy throughout the Diocese.

The Foundation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of the Foundation. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the related Diocesan operating entities, parishes, missions or other Diocesan entities. Each of these related entities is an operating entity distinct from the Foundation, maintains separate financial records, and administers its own services and programs.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a religious organization under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Cash equivalents are invested in money market mutual funds that are readily convertible to cash. Cash equivalents that are invested for long-term purposes are grouped with investments.

Investments are reported at fair value except mineral rights, which are valued at lower of cost or fair value and are fully depleted. Purchases and sales of investments are reported on a trade-date basis. Realized and unrealized gains or losses on investments are determined by comparison of average costs of acquisition to proceeds at the time of disposal, or stated fair value at the last day of the fiscal year, respectively. Interest, dividends, and royalty income are recognized as earned. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

Property is reported at cost. Depreciation is provided on a straight-line basis over the life of the associated lease for periods of 5 to 20 years.

Net asset classification – Revenue and the related net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.

The Board has designated unrestricted net assets for the following purposes:

- *Coffield income fund* is designated to support the operating costs of the Foundation as well as for gifts, grants and loans to eight entities designated by Canon and other charitable trusts, nonprofit organizations and national organizations affiliated with the Protestant Episcopal Church in the United States of America and other Anglican and charitable organizations throughout the world.
- *Coffield principal fund* is comprised of all assets received from the Estate of H. H. Coffield, net of investment gains and losses and net oil and gas and lignite royalties. These funds are designated for loans to Bishop Quin and for gifts, grants, loans, or advances for the purpose of establishing memorials to H. H. Coffield. By the Board's action, income transfers are made from the principal fund to the income fund based on a percentage of the average fair market value of the fund for the prior twelve months. The percentage used in this calculation was 4.00% for 2015 and 2014. In addition, the Board has elected to transfer one-half of the annual net oil and gas royalties from the principal fund to the income fund.
- *Memorial fund* is comprised of assets other than those received from the Estate of H. H. Coffield and income from this fund is to be used to support seminarians, clergy and other charitable entities within the Diocese.

Program grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Commitments made but not yet funded are reported as grants payable. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free, rate-of-return.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent, industry recognized vendors contracted by the Foundation’s custodian or independent appraisals.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability. Inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment. The types of investments in Level 3 include funds where the fair value for portfolio investments is estimated by the general partner using valuation methodologies that consider a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment.

Assets measured at fair value at December 31, 2015 are as follows:

<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:			
Domestic large-cap exchange-traded funds	\$ 13,790,025		\$ 13,790,025
Domestic equity securities:			
Large-cap	4,522,784		4,522,784
Small-cap	3,109,928		3,109,928
Mid-cap	2,805,813		2,805,813
Fixed-income mutual funds	9,683,066		9,683,066
International equity securities:			
Developed markets	5,535,284		5,535,284
Emerging markets	157,680		157,680
International equity exchange-traded funds	5,360,784		5,360,784
World allocation mutual funds	4,592,532		4,592,532
TIFF Absolute Return Pool (a)		\$ 4,062,214	4,062,214
Money market mutual funds	2,411,906		2,411,906
Lignite mining interests		1,530,972	1,530,972
Real estate investment trust funds	807,943		807,943
Exchange-traded bond funds	299,070		299,070
Other partnerships (b)		263,015	263,015
Other	<u>110,363</u>	<u></u>	<u>110,363</u>
Total investments	53,187,178	5,856,201	59,043,379
Cash equivalents:			
Money market mutual funds	<u>1,549,633</u>	<u></u>	<u>1,549,633</u>
Total assets measured at fair value	<u>\$ 54,736,811</u>	<u>\$ 0</u>	<u>\$ 5,856,201</u>
			<u>\$ 60,593,012</u>

Assets measured at fair value at December 31, 2014 are as follows:

<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:			
Domestic large-cap exchange-traded funds	\$ 15,121,192		\$ 15,121,192
Domestic equity securities:			
Large-cap	5,579,911		5,579,911
Small-cap	2,764,395		2,764,395
Mid-cap	2,331,610		2,331,610
Fixed-income mutual funds	9,647,039		9,647,039
International equity securities:			
Developed markets	4,899,156		4,899,156
Emerging markets	126,134		126,134
International equity exchange-traded funds			
World allocation mutual funds	4,474,417		4,474,417
TIFF Absolute Return Pool (a)		\$ 4,000,000	4,000,000
Money market mutual funds	3,551,696		3,551,696
Lignite mining interests		1,550,335	1,550,335
Real estate investment trust funds	702,711		702,711
Exchange-traded bond funds	390,656		390,656
Other	103,177		103,177
Total investments	54,595,979	5,550,335	60,146,314
Cash equivalents:			
Money market mutual funds	1,565,135		1,565,135
Total assets measured at fair value	<u>\$ 56,161,114</u>	<u>\$ 0</u>	<u>\$ 5,550,335</u>
			<u>\$ 61,711,449</u>

- (a) TIFF Absolute Return Pool is a fund that seeks to generate an annualized return equal to or greater than the 91-day U. S. Treasury bills plus 5%, net of all costs. This focus differs from one targeting relative returns (e.g., trying to beat the S&P 500). The strategies the pool may employ, either directly or indirectly, include but are not limited to capital structure arbitrage, event driven, fixed-income, long/short equity, and directly investing in a range of derivatives as well as selling and purchasing securities for hedging or investment purposes. The pool will employ a minimum of ten managers, with not more than 20% of the pool's assets allocated to a single manager. Redemptions are permitted on the end of the calendar quarter associated with the date of investment, subject to 100-days written notice. The Foundation has no outstanding commitment at December 31, 2015.
- (b) Includes two partnerships: one which invests primarily in private equity funds investing in developing economies and emerging markets, the second invests in private equity strategies that may include venture capital, buyouts, natural resources, credit and distressed investments. Distributions are made solely at the discretion of the general partners. The Foundation has no ability for redemption until certain conditions exist for the partnership dissolution. The Foundation has unfunded commitments for these partnerships totaling \$1,735,000.

Valuation methods used for assets measured at fair value are as follows:

- *Exchange-traded funds, equity securities, and real estate investment trust funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the net asset value of shares held at year end.
- *TIFF Absolute Return Pool and other partnerships* are valued at net asset value as provided by the fund management and supported by the audited financial statements.

- *Lignite mining interests* are valued at a contracted rate per ton applied to the estimated production plans for certain units of the mine provided by the mining company.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Changes in Level 3 assets measured at fair value during the years ended December 31, 2015 and 2014 are as follows:

TIFF ABSOLUTE RETURN POOL		LIGNITE MINING INTERESTS	OTHER PARTNERSHIPS	TOTAL
Balance at January 1, 2013		\$ 2,065,078		\$ 2,065,078
Depletion related to current year production distributions		(461,703)		(461,703)
Change in valuation of future production streams		(53,040)		(53,040)
Purchase	\$ 4,000,000		4,000,000	
Balance at December 31, 2014	4,000,000	1,550,335	5,550,335	
Depletion related to current year production distributions		(20,425)		(20,425)
Change in valuation of future production streams		1,062		1,062
Purchase			\$ 265,000	265,000
Unrealized gain (loss)	62,214		(1,985)	60,229
Balance at December 31, 2015	\$ 4,062,214	\$ 1,530,972	\$ 263,015	\$ 5,856,201

Investment return, including earnings on cash equivalents, consists of the following:

	2015	2014
Net realized and unrealized gain (loss)	\$(1,542,302)	\$ 516,245
Interest and dividends	1,499,198	1,810,138
Royalty income	2,082,900	4,463,035
Total investment return	\$ 2,039,796	\$ 6,789,418

NOTE 3 – PROPERTY

Property consists of leasehold improvements and land held for future missions, as follows:

	2015	2014
Episcopal Diocesan Center in Austin	\$ 1,323,050	\$ 1,323,050
Accumulated depreciation	(494,116)	(417,756)
Leasehold improvements, net	828,934	905,294
Land held for future missions	64,506	64,506
Property, net	\$ 893,440	\$ 969,800

In 2008, the Foundation entered into a 20-year lease agreement with the Episcopal Theological Seminary of the Southwest. In lieu of rental payments, approximately \$1,300,000 in renovations were made by the Foundation. Subsequent to renovation, the building was subleased by the Foundation to the Diocese for use as the Diocesan Center in Austin for annual rent of approximately \$60,000 through 2029. Rental income recognized in 2015 and 2014 from the Diocese was approximately \$60,000.

Rental income from the Diocese at December 31, 2015 is expected to be collected as follows:

2016	\$ 59,616
2017	59,616
2018	59,616
2019	59,616
2020	59,616
Thereafter	<u>506,736</u>
Total	<u>\$ 804,816</u>

NOTE 4 – GRANTS PAYABLE

Grants payable as of December 31, 2015 are expected to be paid as follows:

2016	\$ 700,000
2017	690,000
2018	370,000
2019	120,000
2020	120,000
Thereafter	<u>600,000</u>
Total grants payable	2,600,000
Discount to net present value at approximately 2%	<u>(146,681)</u>
Grants payable, net	<u>\$ 2,453,319</u>

Grants payable to related entities total \$1,985,681 and \$695,000 at December 31, 2015 and 2014, respectively. The Foundation has made approximately \$479,000 in grants to related entities that are conditional and have not been recognized as grants payable in these financial statements as the conditions had not been met at December 31, 2015.

NOTE 5 – COMMITMENTS

During 2014, the Board of Trustees approved a loan to Bishop Quin for \$3,000,000 to be repaid at an interest rate of 2.5%. At December 31, 2015, the related agreement has not been executed and funds have not been transferred, but remain an ongoing commitment of the Foundation.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Financial Position by Fund as of December 31, 2015

	<u>COFFIELD INCOME FUND</u>	<u>COFFIELD PRINCIPAL FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
ASSETS				
Cash equivalents	\$ 1,549,633			\$ 1,549,633
Investment income receivable		\$ 48,278		48,278
Investments		58,765,059	\$ 278,320	59,043,379
Property, net		893,440		893,440
Interfund receivable (payable)	<u>1,145,028</u>	<u>(1,145,028)</u>		
TOTAL ASSETS	<u>\$ 2,694,661</u>	<u>\$ 58,561,749</u>	<u>\$ 278,320</u>	<u>\$ 61,534,730</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable to other Diocesan entities	\$ 254,849			\$ 254,849
Grants payable to related entities	<u>2,453,319</u>			<u>2,453,319</u>
Total liabilities	<u>2,708,168</u>			<u>2,708,168</u>
Unrestricted net assets	<u>(13,507)</u>	<u>\$ 58,561,749</u>	<u>\$ 278,320</u>	<u>58,826,562</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,694,661</u>	<u>\$ 58,561,749</u>	<u>\$ 278,320</u>	<u>\$ 61,534,730</u>

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Financial Position by Fund as of December 31, 2014

	<u>COFFIELD INCOME FUND</u>	<u>COFFIELD PRINCIPAL FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
ASSETS				
Cash equivalents	\$ 1,565,135			\$ 1,565,135
Investment income receivable		\$ 232,165		232,165
Investments		59,847,477	\$ 298,837	60,146,314
Property, net		969,800		969,800
Interfund receivable (payable)	<u>1,296,595</u>	<u>(1,296,595)</u>		
TOTAL ASSETS	<u>\$ 2,861,730</u>	<u>\$ 59,752,847</u>	<u>\$ 298,837</u>	<u>\$ 62,913,414</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable to other Diocesan entities	\$ 15,494			\$ 15,494
Grants payable to related entities	<u>811,554</u>			<u>811,554</u>
Total liabilities	<u>827,048</u>			<u>827,048</u>
Unrestricted net assets	<u>2,034,682</u>	<u>\$ 59,752,847</u>	<u>\$ 298,837</u>	<u>62,086,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,861,730</u>	<u>\$ 59,752,847</u>	<u>\$ 298,837</u>	<u>\$ 62,913,414</u>

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2015

<u>COFFIELD INCOME FUND</u>		<u>COFFIELD PRINCIPAL FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
REVENUE:				
Investment return	\$ 1,041,450	\$ 1,007,606	\$ (9,260)	\$ 2,039,796
Rent income	<u>59,616</u>			<u>59,616</u>
Total revenue	<u>1,101,066</u>	<u>1,007,606</u>	<u>(9,260)</u>	<u>2,099,412</u>
EXPENSES:				
Program grants:				
Related entities	3,068,889		11,257	3,080,146
Unrelated entities	<u>1,359,883</u>			<u>1,359,883</u>
Total program grants	<u>4,428,772</u>		<u>11,257</u>	<u>4,440,029</u>
Supporting services:				
Investment management costs	288,971			288,971
Mineral interest and production expenses	282,346			282,346
Diocesan operating entities –				
administrative services	234,088			234,088
Depreciation		76,360		76,360
Other administrative	<u>37,422</u>			<u>37,422</u>
Total supporting services	<u>842,827</u>	<u>76,360</u>		<u>919,187</u>
Total expenses	<u>5,271,599</u>	<u>76,360</u>	<u>11,257</u>	<u>5,359,216</u>
Interfund transfers	<u>2,122,344</u>	<u>(2,122,344)</u>		
CHANGES IN UNRESTRICTED NET ASSETS				
	(2,048,189)	(1,191,098)	(20,517)	(3,259,804)
Unrestricted net assets, beginning of year	<u>2,034,682</u>	<u>59,752,847</u>	<u>298,837</u>	<u>62,086,366</u>
Unrestricted net assets, end of year	<u>\$</u>	<u>\$ 58,561,749</u>	<u>\$ 278,320</u>	<u>\$ 58,826,562</u>

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2014

	COFFIELD	COFFIELD	MEMORIAL	
	<u>INCOME FUND</u>	<u>PRINCIPAL FUND</u>	<u>FUND</u>	<u>TOTAL</u>
REVENUE				
Investment return	\$2,248,785	\$ 4,57,037	\$ 3,596	\$ 6,789,418
Interest on note receivable from The Bishop Quin Foundation		14,375		14,375
Rent Income	<u>60,116</u>			<u>60,116</u>
Total revenue	<u>2,308,901</u>	<u>4,551,412</u>	<u>3,596</u>	<u>6,863,909</u>
EXPENSES:				
Program grants:				
Related entities	1,814,338		12,369	1,826,707
Unrelated entities	<u>252,636</u>			<u>252,636</u>
Total program grants	<u>2,066,974</u>		<u>12,369</u>	<u>2,079,343</u>
Supporting services:				
Investment management costs	297,580			297,580
Mineral interest and production expenses	525,464			525,464
Diocesan operating entities – administrative services	157,613			157,613
Depreciation		76,360		76,360
Other administrative	<u>39,413</u>			<u>39,413</u>
Total supporting services	<u>1,020,070</u>	<u>76,360</u>		<u>1,096,430</u>
Total expenses	<u>3,087,044</u>	<u>76,360</u>	<u>12,369</u>	<u>3,175,773</u>
Interfund transfers	<u>1,073,140</u>	<u>(1,073,140)</u>		
CHANGES IN UNRESTRICTED	294,997	3,401,912	(8,773)	3,688,136
NET ASSETS				
Unrestricted net assets, beginning of year	<u>1,739,685</u>	<u>56,350,935</u>	<u>307,610</u>	<u>58,398,230</u>
Unrestricted net assets, end of year	<u>\$ 2,034,682</u>	<u>\$ 59,752,847</u>	<u>\$ 298,837</u>	<u>\$ 62,086,366</u>

THE GREAT COMMISSION FOUNDATION

The purpose of the Great Commission Foundation (“GCF”) is set forth in Canon 15.1: “to support the missionary and church-planting strategy of the Diocese.”

The GCF Board consists of the Bishop, clergy trustees, and lay trustees. The trustees are elected to overlapping three-year terms by the Council of the Diocese of Texas. The clergy trustees are The Rev. Merrill Wade, The Rev. Dr. Clay Lein, and The Rev. Susan Kennard. The lay trustees are Joe Bailey, Marcela Donadio, Bette Lehmberg, Teddy Adams, Robert Massad, Tim Alexander, and Maria Boyce. Bishop Doyle is the Chairman of the GCF and the Chair of the Executive Committee; Maria Boyce is the President; Bette Lehmberg is the Vice President; Bob Biehl is the Treasurer; and David Fisher is the Secretary and Assistant Treasurer.

The GCF Investment Committee is chaired by Joe Bailey, and this Committee works closely with DiMeo Schneider & Associates, which is the investment advisor for the GCF portfolio. The GCF Real Estate Committee is chaired by Robert Massad. The GCF Project Pipeline Committee is chaired by The Rev. Dr. Clay Lein.

During 2016, GCF continued to financially support the existing missions of the Episcopal Diocese of Texas as well as support the expansion of our footprint and mission within the geographic boundaries of the Diocese. Some highlights of this activity include funding the new Church of the Cross, Lake Travis, church-plant, as well as supporting second church sites for Good Shepherd, Austin (Good Shepherd on the Hill), St. Andrew’s, Pearland (Mosaic Campus), a new Hispanic church-plant in West Houston, and the completion of the development of the Christ Church, Tyler (South Tyler Campus).

In 2016, the GCF worked in conjunction with the Bishop Quin Foundation and the Episcopal Foundation of Texas to fund jointly the Strategic Mission Grant program. This program provides grants to congregations in the Diocese to help fund unique and innovative ministries, reach out into the community, and make our congregations known in a relevant way that will lead to growth. Funds from the GCF were specifically used to fund emerging missional communities in the Diocese.

As a relatively new foundation, the GCF spent much of 2016 establishing a process for the evaluation and funding of future projects. The GCF continues to work closely with the Protestant Episcopal Church Council of the Diocese of Texas (“Church Corp.”), the Bishop Quin Foundation, and the Episcopal Foundation of Texas. Coordination with these foundations of the Diocese will continue in 2017.

Throughout the year, the trustees have been guided by Bishop Doyle and are grateful for his vision and support. The trustees have also worked closely with and relied heavily upon the diligence and excellent work of the entire Diocesan Staff. We look forward to continuing our journey and service in 2017.

Maria Boyce, President

The Great Commission Foundation

(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2015 and 2014

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Board of Trustees of
The Great Commission Foundation:

We have audited the accompanying financial statements of The Great Commission Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

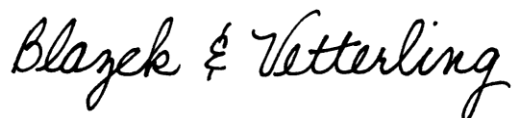
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Great Commission Foundation as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May 18, 2016

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 1,883	\$ 345,313
Prepaid and other receivables	30,901	105,083
Investments (<i>Note 2</i>)	78,537,063	84,337,593
Investment in land (<i>Note 2</i>)	4,220,218	2,565,218
Receivable from Episcopal Health Foundation, net (<i>Note 3</i>)	19,950,701	23,491,145
Note receivable from Church Corporation (<i>Note 4</i>)	6,308,007	6,500,000
Land and improvements	<u> </u>	<u>3,536,905</u>
TOTAL ASSETS	<u>\$ 109,048,773</u>	<u>\$ 120,881,257</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 415,415	\$ 509,538
Grants payable to parishes, missions and schools, net	<u>125,000</u>	<u>250,000</u>
Total liabilities	540,415	759,538
Unrestricted net assets	<u>108,508,358</u>	<u>120,121,719</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 109,048,773</u>	<u>\$ 120,881,257</u>

See accompanying notes to financial statements.

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE:		
Investment return <i>(Note 2)</i>	\$ (6,546,990)	\$ (123,358)
Support from Diocesan operating entities:		
The Episcopal Health Foundation <i>(Note 3)</i>	477,103	5,530,427
The Bishop Quin Foundation	63,000	70,875
Episcopal Diocese of Texas		30,969
Imputed interest on note receivable from Church Corporation <i>(Note 4)</i>	179,312	
Contributions	<u>58,597</u>	<u>62,166</u>
Total revenue	<u>(5,768,978)</u>	<u>5,571,079</u>
EXPENSES:		
Program expenses:		
Grants of land and buildings to a parish	3,130,495	4,764,771
Mission outreach and service	1,921,371	1,204,126
Grants to parishes and church planting program	484,137	531,498
Management and general	<u>308,380</u>	<u>208,475</u>
Total expenses	<u>5,844,383</u>	<u>6,708,870</u>
CHANGES IN UNRESTRICTED NET ASSETS	(11,613,361)	(1,137,791)
Unrestricted net assets, beginning of year	<u>120,121,719</u>	<u>121,259,510</u>
Unrestricted net assets, end of year	<u>\$ 108,508,358</u>	<u>\$ 120,121,719</u>

See accompanying notes to financial statements.

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ (11,613,361)	\$ (1,137,791)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Grants of land and buildings to a parish	3,130,495	4,764,771
Amortization of discount on receivable from Episcopal Health Foundation	(477,103)	(530,427)
Net realized and unrealized loss on investments	9,423,714	2,082,365
Changes in operating assets and liabilities:		
Prepaid and other receivables	74,182	(55,738)
Receivable from Episcopal Health Foundation	4,017,547	3,986,205
Accounts payable and accrued expenses	(94,123)	65,439
Grants payable to parishes, missions and schools	(125,000)	250,000
Grants payable to EDOT Financial Services Corporation		(5,000,000)
Net cash provided by operating activities	<u>4,336,351</u>	<u>4,424,824</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(6,630,030)	(171,954,086)
Proceeds from sales of investments	3,863,855	90,128,107
Net change in money market mutual funds held as investments	(857,009)	94,341,617
Purchases of land and improvements	(1,248,590)	(7,914,931)
Purchases of land held for investment		(2,565,218)
Advance on note receivable from Church Corporation		(6,500,000)
Proceeds from note receivable from Church Corporation	<u>191,993</u>	
Net cash used by investing activities	<u>4,679,781</u>	<u>(4,464,511)</u>
NET CHANGE IN CASH	(343,430)	(39,687)
Cash, beginning of year	<u>345,313</u>	<u>385,000</u>
Cash, end of year	<u>\$ 1,883</u>	<u>\$ 345,313</u>

See accompanying notes to financial statements.

The Great Commission Foundation

(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Great Commission Foundation (the Foundation) is a Texas nonprofit corporation created in 2013 to support the missionary and church planting strategies of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The organization of the Foundation is set forth in Canon 49 of the Constitution and Canons of the Diocese. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. Members of the Board of Trustees of the Foundation are elected by the Council of the Diocese upon nomination by the Bishop and include the Bishop as an ex-officio member and Chair of the Board of Trustees.

Effective January 1, 2014, the Episcopal Diocese of Texas transferred financial support of certain ongoing missions of the Diocese to the Foundation.

Related entities – The Executive Board of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Diocese. Pursuant to various Canons, the Executive Board has certain oversight responsibilities relating to the affairs of the Foundation and the following related Diocesan operating entities:

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish assessments.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin, as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.
- *EDOT Financial Services Corporation* was created to provide human resources, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy throughout the Diocese.

The Foundation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of the Foundation. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the Diocesan operating entities, parishes, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from the Foundation, maintains separate financial records, and administers its own services and programs.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Investments are reported at fair value. Purchases and sales of investments are reported on a trade-date basis. Realized or unrealized gains or losses on investments are determined by comparison of average costs of acquisitions to proceeds at the time of disposal or stated fair value at the last day of the fiscal year. Interest and dividends are recognized as earned. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

Receivable from Episcopal Health Foundation is reported at net realizable value that is discounted to estimate the present value of future cash flows based upon payment over 7 years.

Note receivable from Church Corporation is reported at face value because the repayment terms on this note are not fixed and the discount rate is not determinable.

Land and improvements are reported at cost if purchased and at fair value at the date of gift if donated. The title of all real property acquired or contributed to the Diocese is held by Church Corporation, except for real property whose title is held by the Foundation, EFT and Bishop Quin. These financial statements include only property held for future parishes.

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.

Grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return, if material. Commitments made but not yet funded are reported as grants payable. Grants payable are expected to be paid in the next year.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that

would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent, industry recognized vendors contracted by the Foundation’s custodian or independent appraisals.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
International equity mutual funds:				
Emerging markets	\$ 6,857,896			\$ 6,857,896
Large core	5,144,836			5,144,836
Large value	4,962,364			4,962,364
Small core	2,573,853			2,573,853
Domestic equity mutual funds:				
Large core index	6,463,550			6,463,550
Large growth index	3,322,359			3,322,359
Large value index	3,193,426			3,193,426
Small growth index	1,989,397			1,989,397
Small value index	1,951,908			1,951,908
Domestic bond mutual funds:				
High yield	6,872,135			6,872,135
Core bond	3,883,983			3,883,983
Inflation-protected	3,031,599			3,031,599
Global real estate mutual funds	8,250,000			8,250,000
Commodity mutual funds	5,571,259			5,571,259
Money market mutual fund	5,450,988			5,450,988
International bond mutual funds	5,041,541			5,041,541
Master limited partnership closed-end fund	2,369,258			2,369,258
Master limited partnership mutual fund	<u>1,606,711</u>			<u>1,606,711</u>
Total investments	78,537,063			78,537,063
Land		<u>\$ 4,220,218</u>		<u>4,220,218</u>
Total assets measured at fair value	<u>\$ 78,537,063</u>	<u>\$ 4,220,218</u>	<u>\$ 0</u>	<u>\$ 82,757,281</u>

Assets measured at fair value at December 31, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
International equity mutual funds:				
Emerging markets	\$ 8,155,559		\$ 8,155,559	
Large core	5,174,490		5,174,490	
Large value	5,159,776		5,159,776	
Small core	2,430,139		2,430,139	
Domestic equity mutual funds:				
Large core index	6,376,644		6,376,644	
Large growth index	3,215,667		3,215,667	
Large value index	3,221,133		3,221,133	
Small growth index	2,040,746		2,040,746	
Small value index	2,047,139		2,047,139	
Domestic bond mutual funds:				
High yield	7,180,894		7,180,894	
Core bond	3,884,672		3,884,672	
Inflation-protected	3,083,808		3,083,808	
Global real estate mutual funds	8,162,798		8,162,798	
Commodity mutual funds	7,498,530		7,498,530	
Money market mutual fund	4,593,979		4,593,979	
International bond mutual funds	5,479,245		5,479,245	
Master limited partnership closed-end fund	4,364,757		4,364,757	
Master limited partnership mutual fund	<u>2,267,622</u>		<u>2,267,622</u>	
Total investments	84,337,598		84,337,598	
Land	<u>\$ 2,565,218</u>		<u>\$ 2,565,218</u>	
Total assets measured at fair value	<u>\$ 84,337,598</u>	<u>\$ 2,565,218</u>	<u>\$ 0</u>	<u>\$ 86,902,816</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Land* is valued based on appraised fair value or currently pending sales contracts.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuations methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

The significant financial instruments of the Foundation are cash receivables from EHF and Church Corporation and grants payable. For these financial instruments, carrying value approximates fair value.

Investment return includes earnings on bank deposits and consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 3,029,784	\$ 2,108,774
Net realized and unrealized loss	(9,423,714)	(2,082,367)
Accumulated depreciation	<u>(153,060)</u>	<u>(149,765)</u>
Total investment return	<u>\$ (6,546,990)</u>	<u>\$ (123,358)</u>

NOTE 3 – RECEIVABLE FROM EPISCOPAL HEALTH FOUNDATION

In 2013, EHF committed to contribute to the Foundation the following:

	<u>2015</u>	<u>2014</u>
Receivable from EHF	\$ 20,970,191	\$ 24,987,738
Discount to net present value at 2.45%	<u>(1,019,490)</u>	<u>(1,496,593)</u>
Receivable from Episcopal Health Foundation, net	<u>\$ 19,950,701</u>	<u>\$ 23,491,145</u>

Amounts are due to be received as follows at December 31, 2015:

2016	\$ 4,017,548
2017-2019	<u>16,952,643</u>
Total receivable	<u>\$ 20,970,191</u>

NOTE 4 – NOTE RECEIVABLE FROM CHURCH CORPORATION

The Foundation has entered into a note agreement with Church Corporation totaling \$6,500,000 to pay debt incurred in connection with the acquisition of real property to support the missionary and church planting strategies of the Diocese. The note is non-interest bearing and will be repaid with the proceeds from sales of land and buildings that are no longer being used as church sites and for which the Foundation did not provide the funding for the purchase of the property. After the note is repaid, Church Corporation is further obligated to pay 50% of the proceeds of sales of churches not funded by the Foundation to the Foundation. All proceeds from sales of property paid for by the Foundation will be paid to the Foundation. In 2015, imputed interest income and expense of \$179,312 has been recognized based on an implied interest rate of 2.8%.

NOTE 5 – RETIREMENT PLANS

The Foundation is a participating employer in pension plans sponsored and administered by The Church Pension Fund (the Fund). The Fund, a corporation chartered in 1914 by the Legislature of the State of New York, was established by the General Convention of the Episcopal Church. The Fund and its affiliates are official agencies of the Episcopal Church and operate under the Canons of the Episcopal Church.

The Clergy Pension Plan (the Clergy Plan) is a defined benefit plan providing retirement, death and disability benefits to eligible clergy of the Episcopal Church. The Clergy Plan (the Plan) is exempt from

federal income taxes and, as church plans are exempt from the Employee Retirement Income Security Act of 1974, the Plan is not subject to Pension Benefit Guaranty Corporation requirements.

The assets of the Plan are pooled along with other assets of the Fund solely for investment purposes for the benefit of all participants. The Fund may amend, terminate or modify the terms of the Plan, including the employer assessment rate, at any time, without notice and for any reason. Should the Plan terminate, the Fund has the authority to distribute assets in accordance with the terms of the respective Plan's documents.

All bishops, priests and deacons who are canonically resident in a domestic diocese of the Episcopal Church and who are not participating in the International Clergy Pension Plan must participate in the Clergy Plan if the cleric receives \$200 or more per month in compensation for three or more consecutive months from the same employer.

Participating employers pay assessments to the Plan on behalf of the eligible participants. Assessments for the Clergy Plan are equal to 18% of the applicable participants' compensation, which includes salaries, other cash compensation and the value of housing. Assessments fund benefits provided by the Plan. Assessments are not held in individual accounts, but are invested in a general fund of pooled contributions for all employees participating in the Plan.

The Foundation recognizes its assessments in the period that the related services are provided by the clergy. During 2015 and 2014, the Foundation recognized assessments to the Plan totaling approximately \$151,000 and \$167,000, respectively.

The funding positions of the Plan as of March 31, 2015 and 2014 as reported in the Fund's latest audited financial statements are summarized below. The amount designated for assessment deficiencies represents an allocation of assets for the actuarial present value of the estimated amount to be paid out in benefits in excess of the estimated amount to be received in assessments in connection with the Plan.

	<u>2015</u>	<u>2014</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$8,358,801,000	\$8,643,159,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,937,803,000)</u>	<u>(5,821,173,000)</u>
Surplus	<u>\$1,420,998,000</u>	<u>\$2,821,986,000</u>
Funding percentage	120%	148%

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

EPISCOPAL HEALTH FOUNDATION

2016 has been a busy year at the health foundation, living fully into our strategic plan to improve community health throughout the diocese. Our overarching goals are to strengthen the health system, to catalyze connection among people and groups within communities, and to engage the power of the parishes and people of the diocese to advance community health. Our theory of change is that healthy communities are created when diverse people join together to develop community-driven, people-centered, health-oriented systems. As an outreach ministry of the Episcopal Diocese of Texas, our work begins and ends in the community.

Grant-making: Our grant-making continues apace in 2016. Between January and September of 2016, our board awarded grants to 89 organizations for a total of \$18.3 million. We expect to award up to \$4 million in additional grants during the remainder of 2016. This brings our grant-making total for 2015 and 2016 year-to-date to \$34.8 million, likely to be in excess of \$38 million by the close of 2016. We continue to expand the geographic scope of our work as develop grant opportunities throughout the diocese. In 2016, we added new grantees in Bell, Brazos, Fayette, Gregg, Jefferson, McLennan, and Nacogdoches counties. The majority of the grants continue to be made to organizations providing community based care to low income, uninsured and vulnerable populations, including preventive, primary, mental health and dental care. We awarded several grants to diocesan-related organizations including \$5 million to the diocese to offset the parishes' clergy health insurance costs, \$866,000 to support El Buen Samaritano's health clinic, and \$200,000 to support Episcopal Relief and Development's early childhood development work. We made a \$4 million payment to the Great Commission Foundation in fulfillment of our tithe commitment from the proceeds of the transfer of the hospital system. We continue to provide payments to the Seminary of the Southwest under our 2014-15 grants totaling \$3.67 million to support placement of their counseling graduates in East Texas internships.

Congregational engagement: We now have 5 staff members who devote all or some of their time to working with our parishes to support outreach for community health, and we are in the process of hiring additional staff for this work. We've also created a "kitchen cabinet" consisting of 17 clergy, staff, and lay leaders from congregations representing diverse regions and perspectives across the diocese. The purpose of the cabinet is to provide guidance to the foundation about how to work effectively with congregations and churches, and to carry the foundation's message and opportunities for collaboration. We have provided programming to many congregations including Mental Health First Aid training (50 churches/426 people) and community engagement training (15 churches/50 people); funded 11 consultants to support outreach training, planning and implementation by 43 congregations; provided direct financial support to 6 congregations for outreach work; and supported conference and training costs for 6 people from 4 congregations. These efforts include the areas of civic engagement, mentoring teens in the juvenile justice system, moving from charity-oriented to transformational outreach, addressing poverty, strengthening and building church child and youth outreach programs that advance health, supporting enrollment programs for health insurance and other benefits, and advancing racial reconciliation.

Community Centered Health Homes: This year we launched our first major initiative, known as the Texas Community Centered Health Home (CCHH) Initiative. The purpose of the initiative is to support clinics serving low income populations to expand their scope of work to include collaborative community prevention efforts aimed at solving the root causes of poor health. Providers recognize that many patients present with medical problems that can only be solved by addressing non-medical, community-based factors, but they often lack the knowledge and resources to do anything but deliver medical services. The CCHH initiative will provide financial support and technical assistance to help clinics learn how to work in partnership with community members and other organizations to identify and address root causes. We expect to invest \$10 million in this work over four years, with a goal of helping ten or more clinics adopt the CCHH model and improve community conditions that impact their patients' health.

Other work: Our 2016 work also included research and community engagement activities including a new convening in Beaumont in partnership with Deacon Pat Ritchie. We continue to publish research papers in partnership with Rice University's Baker Institute for Public Policy on the implementation of the Affordable Care Act in Texas. We revamped our county health data to add new information and to present it in a user-friendly, interactive format accessible through our website. These resources are for the use of congregations and community organizations who want to understand health-related data about their communities. We completed our first evaluation report which examined our grant-making and congregational engagement work, which is available on our website. One of our takeaways from the report is that we can leverage these two areas of work through stronger internal collaboration—which we have worked to achieve in 2016.

As I write this, we are nearing the completion of our third year and will develop our next strategic plan during 2017. We are nearly fully staffed and have built a body of work that will form a solid base for us as we move forward. While we spend the bulk of our funding on grants to community organizations, we are increasingly mindful of the importance of the research, convening, congregational and community work to truly transform community health. The power of 70,000 Episcopalians gives us presence, partners and perspective in hundreds of communities. The combination of grant-making and community based work distinguishes Episcopal Health Foundation and gives us an opportunity to pursue system change in a way that is generally not available to churches or foundations on their own.

Elena M. Marks, President

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church
in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2015 and 2014

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Board of Trustees of
The Episcopal Health Foundation:

We have audited the accompanying financial statements of The Episcopal Health Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

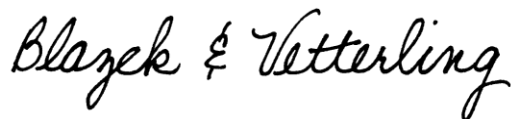
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Health Foundation as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



August 18, 2016

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (<i>Notes 3 and 5</i>)	\$ 169,577	\$ 12,444,799
Accounts receivable and other assets	412,207	53,521
Interest receivable on note receivable	4,913,212	5,676,769
Note receivable, net (<i>Note 2</i>)	183,258,029	214,224,524
Investments (<i>Notes 4 and 5</i>)	904,107,736	917,017,915
Property, net (<i>Note 6</i>)	<u>10,388,155</u>	<u>9,827,080</u>
TOTAL ASSETS	<u>\$1,103,248,916</u>	<u>\$1,159,244,608</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 399,689	\$ 85,460
Grants payable (<i>Note 7</i>)	5,119,418	3,883,312
Grant payable to The Great Commission Foundation (<i>Note 7</i>)	<u>19,950,701</u>	<u>23,491,145</u>
Total liabilities	<u>25,469,808</u>	<u>27,459,917</u>
Unrestricted net assets:		
Undesignated	116,547,576	150,192,577
Contractually-restricted (<i>Note 8</i>)	<u>961,231,532</u>	<u>981,592,114</u>
Total unrestricted net assets	<u>1,077,779,108</u>	<u>1,131,784,691</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,103,248,916</u>	<u>\$1,159,244,608</u>

See accompanying notes to financial statements.

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE:		
Partnership income (<i>Note 4</i>)	\$ (41,793,510)	\$ (3,644,197)
Interest on note receivable (<i>Note 2</i>)	8,445,424	9,552,232
Transfer from CHI (<i>Note 2</i>)	2,828,948	
Other revenue	368,972	57,036
Investment return (<i>Note 4</i>)	<u> </u>	<u>35,600,980</u>
Total revenue	<u>(30,150,166)</u>	<u>41,566,051</u>
EXPENSES:		
Program services:		
Grants made (<i>Note 7</i>)	17,980,738	13,723,754
Program management	1,346,414	833,311
Research	1,299,715	834,799
Impact program initiatives	<u>1,284,607</u>	<u>323,292</u>
Total program services	21,911,474	15,715,156
Supporting services:		
Diocesan operating entities – administrative services	347,232	520,358
Other management and general	<u>1,596,711</u>	<u>1,301,344</u>
Total supporting services	<u>1,943,943</u>	<u>1,821,702</u>
Total expenses	<u>23,855,417</u>	<u>17,536,858</u>
CHANGES IN UNRESTRICTED NET ASSETS	(54,005,583)	24,029,193
Unrestricted net assets, beginning of year	<u>1,131,784,691</u>	<u>1,107,755,498</u>
Unrestricted net assets, end of year	<u>\$1,077,779,108</u>	<u>\$1,131,784,691</u>

See accompanying notes to financial statements.

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ (54,005,583)	\$ 24,029,193
Adjustments to reconcile changes in unrestricted net assets to net cash used by operating activities:		
Depreciation	427,735	138,741
Net realized and unrealized gain on investments		(30,466,817)
Partnership loss	41,793,510	3,644,197
Changes in operating assets and liabilities:		
Accounts receivable and other assets and interest receivable on note receivable	404,871	1,450,279
Accounts payable and accrued expenses	195,451	(210,597)
Grants payable	1,236,106	3,883,312
Grant payable to The Great Commission Foundation	<u>(3,540,444)</u>	<u>(3,455,778)</u>
Net cash used by operating activities	<u>(13,488,354)</u>	<u>(987,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on note receivable	30,966,495	29,775,476
Purchases of investments	(35,500,000)	(154,524,439)
Change in money market mutual funds held as investments	6,616,669	140,214,394
Purchases of property	<u>(870,032)</u>	<u>(9,965,821)</u>
Net cash provided by investing activities	<u>1,213,132</u>	<u>5,499,610</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,275,222)	4,512,140
Cash and cash equivalents, beginning of year	<u>12,444,799</u>	<u>7,932,659</u>
Cash and cash equivalents, end of year	<u>\$ 169,577</u>	<u>\$ 12,444,799</u>

See accompanying notes to financial statements.

The Episcopal Health Foundation **(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)**

Notes to Financial Statements for the years ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Episcopal Health Foundation (EHF), a Texas nonprofit corporation, was created on March 27, 2013, to promote human health (including, without limitation, complete physical, mental and social well-being and not just merely the absence of disease or infirmity), healthcare excellence, advances in medical science, and improvements in community health services to benefit the 57 counties that comprise the ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. EHF is organized under Canon 27, as amended, of the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is the sole member of EHF. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee.

Related entities – The Executive Board of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Diocese. Pursuant to various Canons, the Executive Board has certain oversight responsibilities relating to the affairs of EHF and the following related Diocesan operating entities:

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish assessments.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *EDOT Financial Services Corporation* was created to provide human resources, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy throughout the Diocese.

EHF engages in activities with and provides grants to related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include the assets, liabilities, net assets and activities of EHF. The accompanying financial statements do not include the assets, liabilities, net assets and activities of the related Diocesan operating entities. Each of these related entities is an operating entity distinct from EHF, maintains separate financial records, and administers its own services and programs.

Federal income tax status – EHF is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a Type I supporting organization under §509(a)(3).

Cash equivalents are invested in money market mutual funds that are readily convertible to cash. Cash equivalents that are invested for long-term purposes are grouped with investments.

Note receivable is reported at estimated net realizable value. An allowance for the note receivable is provided when it is believed the note may not be collected in full and is adjusted annually to reflect changes in the expected future cash flows. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of the receivable balance. A note receivable is considered impaired when it is considered probable that EHF will not collect all principal and interest amounts due under the terms of the agreement. It is possible that management's estimate regarding the collectability of this balance will change in the near term resulting in a change in the carrying value of the receivable. At December 31, 2015, all known impairments of the note receivable have been reserved.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of income is limited by donor-imposed restrictions.

Property is reported at cost if purchased and at fair value at the date of gift if donated. EHF provides for depreciation using the straight-line method based upon estimated useful lives of 3 to 40 years.

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support.

Grants are recognized as expense at fair value when EHF approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return, if material. Commitments made but not yet funded are reported as grants payable.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent accounting pronouncements – In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Under this ASU, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient, should not be categorized in the fair value hierarchy. EHF adopted this ASU in 2015 and retroactively applied it to 2014 fair value disclosures.

NOTE 2 – DEFINITIVE AGREEMENT TRANSACTIONS

Under the Definitive Agreement (the Agreement), EHF received cash and a note receivable from Catholic Health Initiatives for consideration of transfer of the membership in St. Luke's Episcopal Health System (SLEH) from the Diocese to CHI totaling approximately \$1.26 billion. In the Agreement, EHF agreed that 85% of the CHI contribution will be used for health initiatives and 85% of the contribution will be used in the 57 Texas counties that comprise the Diocese. Under the Agreement, EHF is liable for losses and expenses in connection with certain significant known and unknown potential liabilities and has recorded an allowance for potential loss of approximately \$16,000,000. During 2015, CHI transferred approximately \$2.8 million of funds held for the benefit of EHF.

The note receivable agreement with CHI totaled \$260,000,000 and requires the payment of principal and interest in annual installments of \$40,175,000 on the anniversary of the note each year with a final payment due May 31, 2020. The note provides for optional prepayment without penalty. The note bears interest at 4%. The agreement requires that the final payment be reduced by liabilities that may be incurred by CHI related to the operations of SLEH as outlined in the Agreement.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2015</u>	<u>2014</u>
Bank deposits	\$ 169,577	\$ 290,143
Money market mutual funds		<u>12,154,656</u>
Total cash and cash equivalents	<u>\$ 169,577</u>	<u>\$ 12,444,799</u>

At times, bank deposits exceed the federally insured limit per depositor per institution.

NOTE 4 – INVESTMENTS AND INVESTMENT RETURN

Investments consist of the following:

	<u>2015</u>	<u>2014</u>
Investment in EH Investment Fund, L.P.	\$ 889,062,294	\$ 895,355,803
Money market mutual funds	<u>15,045,442</u>	<u>21,662,112</u>
Total investments	<u>\$ 904,107,736</u>	<u>\$ 917,017,915</u>

EH Investment Fund, L.P. (the Fund) is a Delaware limited partnership that was created on June 1, 2014. HCP EHF Management LLC (General Partner), a U. S. Securities and Exchange Commissions registered advisor and wholly owned subsidiary of Hall Capital Partners LLC, is the General Partner to the Fund. There are two limited partners: EHF and Bishop Quin. As of December 31, 2015, EHF had a 99.89% interest in the Fund and Bishop Quin had a .11% interest. The Fund is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of EHF over full market cycles of seven to ten years. The Fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the Fund will invest in include global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed-income, and cash and cash equivalents. At any given time, one third of the Fund's portfolio assets can be liquidated

within a 30 day time window. Redemptions are allowed at the end of each month with 10 days prior written notice. There are no unfunded commitments at December 31, 2015.

The assets of the Fund invested are summarized as follows:

	<u>2015</u>	<u>2014</u>
Portfolio funds: (a)		
Absolute return	25.6%	28.1%
Equity strategies	21.8%	14.4%
Equity hedge	7.2%	7.1%
Private equity	4.5%	2.4%
Other	1.9%	
Global stock and hard asset mutual funds	18.6%	15.3%
Marketable securities:		
Common stock	13.9%	15.3%
Exchange traded funds	0.3%	8.4%
Foreign depository receipts	0.2%	1.0%
Cash and cash equivalents	<u>6.0%</u>	<u>8.0%</u>
Total	<u>100%</u>	<u>100%</u>

(a) Portfolio fund investments are subject to the terms of the respective portfolio fund's agreements, offering documents and other governing agreements. Additionally, most, if not all, of the portfolio funds in which the Fund invests may restrict both the transferability of the Fund's interest and the Fund's ability to withdraw. Due to these restrictions, investments in certain portfolio funds are viewed as illiquid and subject to liquidity risk.

Legal, tax, and regulatory changes could occur during the term of EHF's investment in the Fund. The regulatory environment for alternative investment funds is evolving, and changes in the regulation of these funds may adversely affect the value of investments held by EHF. EHF believes that the effect of any future regulatory change in EHF's assets would likely not be substantial.

Investments are exposed to various risks such as interest rate, market and credit risks. Alternative investments such as the Fund include additional risks because of their complex nature and limited regulations resulting in a greater risk of losing invested capital. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment Return and Partnership Income

Partnership income from investment in the Fund consists of the following:

	<u>2015</u>	<u>2014</u>
Realized and unrealized loss	\$ (42,224,002)	\$ (9,533,664)
Interest and dividends	5,968,672	9,198,821
Investment management and incentive fees	(5,179,931)	(2,920,780)
Other expenses	<u>(358,249)</u>	<u>(388,574)</u>
Total partnership income	<u>\$ (41,793,510)</u>	<u>\$ (3,644,197)</u>

Investment return at December 31, 2014 includes earnings on cash and cash equivalents and consists of the following:

Net realized and unrealized gain	\$ 30,466,817
Interest and dividends	5,373,819
Investment management fees	<u>(239,656)</u>
Total investment return	<u>\$ 35,600,980</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 15,045,442	<u> </u>	<u> </u>	\$ 15,045,442
Total	<u>\$ 15,045,442</u>	<u>\$ 0</u>	<u>\$ 0</u>	15,045,442
Other investments measured at net asset value using the practical expedient:				
EH Investment Fund, L.P.				<u>889,062,294</u>
Total assets measured at fair value				<u>\$ 904,107,736</u>

Assets measured at fair value at December 31, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 21,662,112			\$ 21,662,112
Money market mutual funds held as cash equivalents	<u>12,154,656</u>	<u> </u>	<u> </u>	<u>12,154,656</u>
Total	<u>\$ 33,816,768</u>	<u>\$ 0</u>	<u>\$ 0</u>	33,816,768
Other investments measured at net asset value using the practical expedient:				
EH Investment Fund, L.P.				<u>895,355,803</u>
Total assets measured at fair value				<u>\$ 929,172,571</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Investment in EH Investment Fund, L.P.* is valued using the net asset value (or its equivalent) as a practical expedient to determine the fair value of the investment. The fair value of the fund is based on information provided by the general partner of the fund to EHF. Management takes into consideration consultation with fund investment managers and audited financial information to determine the overall reasonableness of the recorded fair value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while EHF believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Realized and unrealized gains and losses on the investment in the EH Investment Fund, L.P. are included in partnership income in the accompanying statements of activities and disclosed in Note 4.

Fair Value of Financial Instruments

The carrying value of EHF's other significant financial instruments including cash, note receivable, and grants payable approximates fair value at December 31, 2015 and 2014.

NOTE 6 – PROPERTY

Property is comprised of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 750,000	\$ 750,000
Buildings and improvements	<u>10,203,648</u>	<u>9,215,821</u>
Total property, at cost	10,953,648	9,965,821
Accumulated depreciation	<u>(565,493)</u>	<u>(138,741)</u>
Property, net	<u>\$ 10,388,155</u>	<u>\$ 9,827,080</u>

NOTE 7 – GRANTS PAYABLE

At December 31, 2015, grants approved and committed for future payments are payable as follows:

	<u>GCF</u>	<u>OTHERS</u>	<u>TOTAL</u>
2016	\$ 4,017,548	\$ 2,478,317	\$ 6,495,865
2017	4,017,548	968,047	4,985,595
2018	4,017,548	1,050,668	5,068,216
2019	4,017,548	622,386	4,639,934
Thereafter	<u>4,900,000</u>	<u> </u>	<u>4,900,000</u>
Total grants payable	20,970,192	5,119,418	26,089,610
Discount to net present value at 2.45%	<u>(1,019,491)</u>	<u> </u>	<u>(1,019,491)</u>
Grants payable, net	<u>\$ 19,950,701</u>	<u>\$ 5,119,418</u>	<u>\$ 25,070,119</u>

EHF provided a \$5 million grant in 2015 and 2014 to a related Diocesan operating entity to fund a portion of clergy health insurance cost for all Diocesan entities. EHF has provided grants to related Diocesan entities totaling approximately \$1,055,000 in 2015 and \$4,791,000 in 2014.

NOTE 8 – CONTRACTUALLY-RESTRICTED NET ASSETS

Under the provisions of the Agreement, EHF is required to expend 85% of the proceeds of the transfer of assets of SLEH for health initiatives as defined in the Agreement and 85% of the proceeds within the 57 counties that comprise the Diocese. Transactions and balances related to such restrictions were as follows:

Contractually-restricted net assets, January 31, 2014	\$ 996,776,843
Expenditure of funds for restricted purposes	<u>(15,184,729)</u>
Contractually-restricted net assets, December 31, 2014	981,592,114
Expenditure of funds for restricted purposes	<u>(20,360,582)</u>
Contractually-restricted net assets, December 31, 2015	<u>\$ 961,231,532</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 18, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

VI. CANONICAL REPORTS

COMMISSION ON MINISTRY

The primary purpose of the Commission on Ministry is to assist in the ongoing discernment of those who feel called to ordained ministry. Nominees (also called Aspirants) are presented to the Commission on Ministry by their local Head of Congregation and Vestry/Bishop's Committee, after having completed a discernment process and the required application. In 2015, the Commission on Ministry was comprised of three groups who assisted in the further discernment to ordained ministry for those seeking ordination as seminary-trained priests, bi-vocational priests, and deacons. In 2016, the Commission on Bi-vocational Ministry was merged into the Commission on Ministry and all aspirants discerning ordination to the priesthood will be seen by one commission. The Committee for the Diaconate is unchanged and remains a stand-alone committee under the Commission on Ministry.

The Commission on Ministry interviews aspirants and determines whether an aspirant should proceed to the next steps in the process. This includes a meeting with Bishop Harrison who makes the final decision regarding postulancy. After Postulants are accepted to attend seminary or the Iona School, the Commission on Ministry continues to track their progress until they graduate and are ordained.

In 2016, the Commission on Ministry introduced changes to the diocesan discernment process with the introduction of a Discovery Retreat weekend and regional discernment committees. Discovery retreats were held this year in January, May and August with total of 75 participants. The retreat includes worship, education about discernment, self-reflections, and the opportunity to learn about various forms of ministry and missional work across the Diocese. The retreat is open to all the baptized in the Diocese. The goal is to help participants uncover their gifts and call to ministry as lay or ordained leaders. Several clergy and lay leaders, within our Diocese, volunteered as faculty and staff for the retreats.

Following the completion of the Discovery Retreat, participants may request, through their Head of their Congregation, further discernment with a Regional Discernment Committee. This year, Regional Discernment Committees replaced Local Discernment Committees in the canonical process. Seventy-eight people were trained in the new regional discernment process and 21 regional discernment committees were activated. Due to the deadline for Holy Orders applications, some committees felt a bit rushed. We will re-visit the timing of the fall Discovery retreat to help alleviate this issue. Work continues to refine the retreat and the regional discernment process as we incorporate feedback from participants.

Francene Young, Chair

EXAMINING CHAPLAINS

The Examining Chaplains met to examine nine candidates, five senior seminarians and three seniors in the Iona program, for ordination as Deacons. We continue to use the examination process we have developed as a replacement for the National General Ordination Examinations. We find it a more satisfactory assessment of the students' knowledge and writing skills as well as practical application of those skills. We met for three days in January at Camp Allen for a series of written and oral examinations. In

years past we have also asked each student to plan and lead one of the Daily Offices, including preaching a sermon. Due to the size of the class this year we were not able to do that, but required that the assignment be submitted in advance and then reviewed with students in individual sessions. We believe that this process allows us to know the students better and understand their seminary experience in both informal individual and group discussions. We met in October for a short series of oral examinations of the new Deacons before recommending them for ordination as Priests. Current Chaplains are A. Dean Calcote, Mark Crawford, Christine Faulstich, Patrick Hall, Eileen O'Brien, and Edward L. Stein.

A. Dean Calcote, Chair

DEACON'S REPORT

Our thirty-four deacons, many of whom hold "regular" jobs, are involved in a great diversity of diaconal work throughout the Diocese. Our newest deacon, Aston Brown, was ordained in June of 2016. He is serving at St. James in Houston. We said farewell to Deacon Pat Henderson who had served in Georgetown. She has moved out of state.

One deacon continues to be involved in the Austin Recovery ministry, a twelve step recovery ministry. This deacon continues to listen to 5th steps. One deacon has started a weekly Al Anon meeting. Three deacons are involved in supervising Community of Hope groups. One deacon convenes a weekly meeting for unemployed at a local restaurant. The Archdeacon serves in a consulting organization through Episcopal Relief and Development that works with dioceses and congregations who have experienced disasters and need assistance with how to respond. One deacon is on the board of Christ Clinic, a clinic in Katy for adults without health insurance. Seven deacons do hospital chaplaincy at local hospitals, and one also supervises volunteer chaplains. One deacon serves on the community health advisory council at a local hospital. Two deacons do hospice chaplaincy. One does end of life pastoral care in the parish. One deacon works with a local organization called Love in the Name of Christ which serves the needy. Three deacons serve as Spiritual Directors.

Four deacons are involved in ministry to the elderly and/or disabled at assisted living facilities and nursing homes. Three deacons are now involved in Kairos Prison Ministry. Several deacons do other ministry in prisons including chaplain work, facilitation of an Overcomers Program or Bridges to Life, mentorship programs in juvenile detention, reVision for at risk and incarcerated youth, etc. Five deacons are involved in feeding ministries, (Hunger Initiative, Food for the Poor, Feed My Sheep, Nutrition Backpack Ministry, etc.). One deacon has just organized and begun a Meals on Wheels program where 25-30 meals are being delivered each day. One deacon participates in the Coalition for the Homeless initiative in Houston. Four deacons are involved in grief support in general, Walking the Mourner's Path, GriefShare and Footprints – children's grief.

Several deacons are chaplains to law enforcement departments. One deacon continues to work with other local church communities to organize and provide 5th quarter events for teens following local football games. One deacon is responsible for a race/walk which raises money for outreach projects. One deacon continues to work with Agape Development Ministries and Restoration Community Church in Houston's 3rd Ward. The

goal is to provide transitional housing for young men through a partnership with parishioners from St. John the Divine and the other two ministries.

Some teach first Communion and/or Confirmation classes. Five deacons have Bible Study groups – one at a Wine Bar. Several deacons mentor lay leaders to be the leaders of various outreach projects. One deacon has planned and organized a recovery retreat at Camp Allen.

Many deacons assisted the many communities affected by the flooding across a large area of Texas in the spring and early summer of 2016. This involved participating in spiritual care, organizing groups to assist with the cleaning out of homes, distributing gift cards and identifying and assisting those with needs unmet by insurance or FEMA.

One deacon leads an annual mission trip to Honduras. One deacon is chair of the Interfaith Immigration Network. Several deacons are team members of our diocesan Emergency Spiritual Care Team. Several deacons have assisted churches in aiding in the resettlement of refugees. One deacon serves on the Episcopal Health Foundation's Kitchen Cabinet advisory group.

In addition to this work in our communities, several deacons serve in Diocesan-wide roles. One deacon serves as a presenter for Fertile Ground (cultural competency training) for the diocese. The Reverend Pat Ritchie serves as Chair of the Committee for the Diaconate, the Reverend Mary Lenn Dixon is responsible for the Diaconate track at the Iona School for Ministry, the Reverend Jan Halstead supervises field work for the deacons in formation and additionally, the Reverends Bob Horner and Wanda Cuniff serve on the Committee for the Diaconate. The Reverend Jan Halstead is the Diocesan Jubilee Officer, the Reverend Victoria Mason helps lead the new retreats to aid people in discerning their vocations, the Reverend Wanda Cuniff has served on the Division of Spiritual Formation and the Reverend Linda Shelton and the Reverend Sherry Williams are the Diocesan Liaisons for Episcopal Migration Ministries, which has included advocacy in Washington for refugee ministry funding support. The Reverend Joseph Mills serves on the Restorative Justice Ministry Committee. The Venerable Russ Oechsel is the Diocesan Emergency Response Coordinator.

Russ Oechsel, Jr., Archdeacon

STANDING COMMITTEE

As President of the Standing Committee for the Episcopal Diocese of Texas, I am honored to share that the Standing Committee has met five times throughout this year to discuss and nominate worthy candidates for the positions of Deacons, Priests, as well as for the ordination process.

The Standing Committee of the Episcopal Diocese of Texas consists of three priests and three lay communicants within the diocese, elected by Council for three-year terms. It functions as a committee of advice to the bishop and is called at the bishop's discretion, or it may meet of its own accord. The Standing Committee gives consent for persons to become candidates for Holy Orders, consent for ordinations and consent to elections of bishops in other dioceses. When there is no bishop or bishop coadjutor, the Standing Committee becomes the ecclesiastical authority of the diocese.

I have been privileged to be part of the Standing Committee along with my fellow committee members to enact and maintain the strong mission of the Committee for the Episcopal Diocese of Texas.

The Standing Committee consists of:

Secretary: The Rev. Bertrand “Bert” O. Baetz III

Assistant: Alice Kerr

Committee members:

To 2017:

The Rev. Bertrand “Bert” O. Baetz III of St. Mark’s, Richmond;

Dr. Gregory “Greg” Vincent of St. James, Austin

To 2018:

Rhonda Fanning of St. Martin’s, Houston;

The Rev. Pedro Lopez of St. Peter’s/San Pablo, Pasadena

To 2019:

Dave Bollinger of Good Shepherd, Tomball;

The Rev. Christine Faulstich of Epiphany, Houston

We met on the following dates:

- November 15, 2016, at which time nominations were reviewed to make sure they met canonical requirements, biographies were refined, and added any nominations to fill the need.
- August 27, 2016, at which time we held candidacy interviews for the seminary.
- May 10, 2016, at which time we received an overview of the nominations process and set goals for the 168th council.
- April 22nd, 2016, at which time we conducted three Transitional Deacon interviews and one Deacon interview.
- April 21, 2016, at which time we conducted five Transitional Deacon interviews.

Each of the meetings resulted in significant conversation and discussion as well as an opportunity to learn about the candidates that will help shape our community going forward. It is amazing to see the diverse backgrounds that they all have at the same time as seeing the true calling in each one of the candidates to the various positions that they are aspiring to within our Diocese. As always, I have thoroughly enjoyed meeting with the Bishops Doyle and Harrison throughout this process.

Dr. Gregory J. Vincent, President

DISCIPLINARY BOARD

In the past reporting year, the Disciplinary Board of the Diocese of Texas formally convened once by conference call on April 13, 2016 to elect The Rev. Stacy B. Stringer as President. The Disciplinary Board also gathered on May 6, 2016 to review national and diocesan canons as they pertain to the work of this board. In the course of the year all but one complaint was handled at the level of the Intake Officer, Reference Panel, and President. One complaint reached the level of requiring a proceeding before the Conference Panel or Hearing Panel. At the end of the reporting year, members of the Disciplinary Board and the year in which their terms expire are as follows: The Rev. Stacy B. Stringer (2017), The Honorable Lora Livingston (2017), The Rev. Art Callaham (2017), The Rev. George C. McGavern (2018), Ms. Ann O’Connell (2018), The Rev. Beth Fain (2019), Ms. Lisa Hobbs (2019).

Respectfully submitted, Stacy Stringer

VII. EDOT FINANCE

2017 PROPOSED BUDGET FORMULA

Outlined below is the budget formula used to determine the Diocesan and Insurance Assessments for each parish and mission in the Diocese of Texas. The original formula was passed by the 143rd Council. As a result of the movement to one budget, the Formula has been amended to eliminate the Asking for the Missionary Budget. There was a one time reset of the breakpoints in 2014 that had been in place since 1995 and a reduction in the rates for calculating assessments.

1. Part (A) – The Insurance Formula

GOAL: To allocate equitably to parishes and missions the insurance program costs for the diocesan clergy and families, retired clergy and spouses, diocesan lay employees, and spouses of deceased clergy. *(Note 1)*

METHOD:

A. Create an annual Program Cost Factor (PCF) as follows:

PCF = Total Insurance Cost divided by the sum of:
(1) Total Parish Operating Revenue *(Note 2)* plus
(2) 75% of Total Mission Operating Revenue

B. Allocate health insurance cost to individual congregations as follows:

(1) **Parishes** – Insurance Assessment (IA) =
Parish Operating Revenue X PCF

(2) **Missions** – Insurance Assessment (IA) =
75% x Mission Operating Rev. X PCF

2. Part (B) – Diocesan Budget

GOAL: To allocate equitably to parishes and missions the monies that will be used to fund the Diocesan Budget.

METHOD:

A. Multiply Total Operating Revenue by the Percentage Factor (PF) using the break points noted below to determine the Maximum Formula (B) (MFB):

2017 Base Percentage

Total Operating Revenue PF

UP TO		\$208,000	6%
\$208,001	to	\$313,000	7%
\$313,001	to	\$523,000	8%
\$523,001	to	\$836,000	9%
OVER \$836,001			10%

The four break points have been adjusted annually by an amount equal to the change in Consumer Price Index (CPI). Such adjustments to the break points shall be rounded to the nearest thousand dollars.

B. Determine the Formula (B) Request (FBR) –

For 2017 the **MFB** (Maximum Formula B Request) was be compared to the MFB of the preceding year and adjusted, if necessary, so as not to increase more than 10 percent or decrease more than 20 percent. Under no circumstances, however, is the current year MFB to constitute less than 5 percent or more than 10 percent of a church's Operating Revenue.

NOTES:

- 1) This calculation is for the amount of the insurance expense in excess of the \$5 million provided by the Episcopal Health Foundation to offset this expense.
- 2) The Operating Revenue used for both Formula (A) and Formula (B) is the parish's operating revenue (as reported in their parochial report) for the year that is two years before the budget year. (For 2017, the Operating Revenue used was that of 2015.)

INTRODUCTION TO THE 2016 FINANCIALS AND THE 2017 DIOCESAN OPERATING BUDGET

The unaudited financial statements for the year ended December 31, 2016 showed a net increase in assets of \$414,000. This increase in assets was due to favorable budget variances in both revenues and expenses. Revenues exceeded the budget by \$51,000 while expenses were \$363,000 under budget.

Favorable variance for revenues resulted from additional foundation support to reimburse the Diocese for transition costs for human resources and financial consulting. HR consulting was needed for organizational development, sourcing, and staffing. The retired CFO provided financial consulting due to delays in hiring a new CFO.

Expenses were less than budget primarily because administrative expenses were \$484,000 under budget for compensation and insurance. Diocesan council expenses were also \$49,000 less than anticipated. Delays in onboarding the CFO and other finance staff caused lower costs. There were reductions in insurance costs with a lower census. These cost savings were offset by \$115,000 higher than expected Mission Amplification expenses and \$76,000 higher expenses in the Office of the Bishop. Mission Amplification expenses were higher due to conferences for retired clergy, clergy spouses, and Little Church Club, and necessary aid to congregations, as well as costs to call and move clergy. Compensation expenses for the Office of the Bishop increased as a result of implementing the recommendations of an Executive Board Personnel Committee compensation study for five executive staff members.

Our 2017 budget is actually significantly lower than it was in 2012 and 2013. Executive summary sheets reconciling the changes between the 2016 and 2017 budgets by major revenue and expense items are included in the Journal in the following pages, along with the detailed financials and budget.

In 2017, the budgeted amount of assessments has increased due to an increase in parish revenues. Assessment rates remain unchanged. Parishes will see a decrease in their annual Insurance assessment in 2017, due to a decrease in the number of clergy within the census. While premiums actually increased, the decrease in our census resulted in a net decrease in the insurance assessment. The total insurance assessment is net of an annual 5 million dollar grant from the Episcopal Health Foundation.

In 2017, our support of the National Church will increase by a little over \$250,000. This is in line with the strategic goal of contributing 15% of our revenues to the National Church by 2018. The Diocese continues robust support of the Anglican Communion, and will contribute \$300,000 to the Anglican Communion in our 2017 budget.

The 2017 Budget also reflects the results of an Executive Compensation study completed in 2016. The report on this work follows in the pages ahead. The 2017 budget reflects the adjustments to the salaries and benefits ranges recommended by the Mercer Consulting Firm, a major worldwide consulting firm that does similar work for the Church Pension Group and other Episcopal churches.

A key personnel addition for 2017 is the anticipated hiring of an assisting bishop (a 4th bishop). Associated costs for this position have been included in the 2017 Budget. The combined results for the 2016 and the 2017 budgets show a net increase in the Diocese's assets of about \$25,000.

**EPISCOPAL DIOCESE OF TEXAS (“EDOT”)
FINANCE COMMITTEE
REPORT OF THE SUB-COMMITTEE ON EXECUTIVE REMUNERATION**

The Executive Board agreed to the formation of a sub-committee on Remuneration (“The Committee”) in early 2016. Outlined below is a report on the work of the Committee.

PHILOSOPHY

The Committee initially developed a remuneration philosophy to guide its work and that philosophy reads in pertinent part as follows:

- ❖ EDOT recognizes that its mission effectiveness is highly dependent upon the alignment of its total compensation program with its vision of a diocese whose very nature is to venture forth into new missionary territories, exemplifying the characteristics of creativity and entrepreneurship
- ❖ The total compensation program must enable EDOT to attract, hire, engage and retain the high caliber leaders necessary to apply a transformative approach to outreach, evangelism, formation, congregational development and administration.
- ❖ When determining competitiveness, EDOT will generally consider total remuneration including base pay, incentives, parsonage and benefits.
- ❖ EDOT will analyze relevant market data published by respected sources.
- ❖ EDOT plans to sustain a structure that targets the applicable market subject to appropriate adjustments.

THE WORK PERFORMED

Using this philosophy, the Committee retained Mercer Consulting of New York to assist in the evaluation of executive compensation. Mercer has performed similar work for the Church Pension Group in New York. The positions reviewed were: Bishop Diocesan, Bishop Suffragan, Chief Operating Officer and Chief of Staff. This work was particularly relevant since there has not been a comprehensive review and adjustment of executive packages for a number of years. This work was also important in light of the major changes that have occurred within the diocese over this period and the related impact on duties of the executive team:

- The sale of the St. Luke’s health system and the creation of the Episcopal Health Foundation and the Great Commission Foundation.
- The sale and re-deployment of funds from St. James House
- The re-organization of the Commission on Ministry
- The work done by the Bishops at the National Church level to continue to enhance the image of the diocese, including the hosting of General Convention in Austin in 2018
- Certain risks the Bishops face as a result of significant travel in connection with their positions

Mercer’s charge was to compare the total packages of the EDOT executive team to

similar not-for-profit organization executives performing similar work. The “market” for the compensation was based on reviews of IRS Form 990 for similarly situated organizations and from other published not-for-profit organization databases available to the Mercer firm based on their numerous studies in this area. This included Episcopal Churches and institutions. Significantly, Mercer made appropriate adjustments to the data for the pension plan available to EDOT executives and relevant housing adjustments, so that the data being compared was on an equivalent basis. Based on the research conducted, Mercer then produced a final report for the Committee.

ACTIONS TAKEN

Based on the report prepared by Mercer and reviewed by the Committee, a set of year end appreciation payments were made and a three year strategic compensation adjustment plan was developed. This allows the gradual phasing in of the plan and recognizes the financial capacity of the diocese each year to make the necessary adjustments. This plan will ensure that EDOT aligns its executive team compensation with the market for similarly situated not-for-profit executives performing similar work. The Committee’s recommendations have been approved by the Executive Board beginning with the 2017 EDOT budget.

NEXT STEPS

The Mercer firm is in the process of preparing a “fairness” letter, which will state that the actions taken are in accord with acceptable compensation practices and levels. This is similar in their industry to a clean audit opinion.

Finally, the Executive Board approved making the Committee a permanent sub-committee of the Finance Committee. It will be called the Personnel Committee. This is an effective way to inoculate executives from being involved in setting the appropriate levels of remuneration for themselves. This approach is consistent with how most large, complex organizations handle these matters.

Respectfully submitted,

Samuel A. Dodson
Chair, Finance Committee
Chair, Sub-Committee on Remuneration

The Episcopal Diocese of Texas

Budget Resources Used to Implement 2017 One Year Plan

GOAL	BUDGETED RESOURCES FOR GOAL		
	FOUNDATION	SUPPORT	OPERATING BUDGET
1. Complete Finance/Business Department Reorganization.	<ul style="list-style-type: none"> ✓ Implement new financial Software and improve reporting. \$24,000 Capital ✓ Search, identify applicant, slate, interview, offer, negotiate, hire and onboard: <ul style="list-style-type: none"> • Assistant Treasurer/Finance Team Leader • Business Administration Leader 		\$131,800 52,000
2. Implement a Holistic case management system for congregations and communities.	<ul style="list-style-type: none"> ✓ Assistant Bishop for Southern Region ✓ Mission Amplification Staff Costs (includes new <u>director</u>) ✓ Full year for ministry staff hired in 2016 ✓ Implement Customer relationship management software 		\$116,000 \$109,000 \$155,000 Capital or Existing EHF
3. Initiate and implement communications plan/strategy.	<ul style="list-style-type: none"> ✓ Identify and engage marketing/communications company ✓ Perform communications audit 		Existing staff \$ 40,000
4. Establish a clear church planting strategy and call three planters.	<ul style="list-style-type: none"> ✓ Design and conduct assessment and boot camp for planters ✓ Complete spending model to support planting according to EDOT vision ✓ Work supported by the Great Commission Foundation <ul style="list-style-type: none"> • Church of the Cross, Lake Travis Plant \$170,000 • New Hispanic – W. Houston Plant 150,000 • New Church Start Expenses 200,000 • Church Planter Development <u>200,000</u> Total \$720,000 		GCF – Planter Dext Existing Staff
5. Establish a missional <u>communities</u> strategy and initiate 25 new communities.	<ul style="list-style-type: none"> ✓ Resources for emerging and existing Missional Communities are through staff time and the Strategic Mission Grant Program: <ul style="list-style-type: none"> • Great Commission Foundation \$300,000 • Bishop Quin Foundation 90,000 • Episcopal Foundation of Texas <u>90,000</u> Total \$480,000 		
6. Traction model implemented through directors' level and teams.	<ul style="list-style-type: none"> ✓ Train Directors and staff on Traction process ✓ Complete Performance Management System 		Existing staff

Total Foundations and Capital/ Total EDOT Operating Budget

\$1,224,000

\$603,800

The Episcopal Diocese of Texas
2017 Revenue Budget Increases (Decreases) vs 2016 Budget
2017 Council Meeting
000's omitted

2016 Budgeted Revenues		\$ 10,230
Increases in Foundation Overhead Support	241	
Increase in Diocesan Council	44	
Increase in Assessment Allowance, net	(68)	
	<u>217</u>	\$ 217
Decreases in Foundation Grants	(50)	
Decrease in IVC Summit Revenue	(38)	
Decrease in Bequests/Donations	(18)	
Decrease Other Conference Fees	(10)	
Decrease in Recovery Ministries	(12)	
Other decreases	(4)	
	<u>(132)</u>	\$ (132)
		<u>85</u>
2017 Budgeted Revenues		<u>\$ 10,315</u>

The Episcopal Diocese of Texas
2017 Expense Budget Increases (Decreases) vs 2016
2017 Council Meeting
000's omitted

2016 Budget **\$ 10,230**

Increases in expenditures

Support of the Episcopal Church	\$ 260	
Mercer report recommendations - Bishops and Executive salaries and insurance	181	
Ministry staff--2016 hires full year of compensation	155	
Mission Amplification reorganization	109	
Assistant Bishop for the Southern Region	116	
Business and travel congregations	56	
Diocesan Council/Canonical expenses	48	
Communications audit	40	
Youth ministry	35	
Clergy conferences and gatherings	30	
Other (property, casualty, auto, and workers comp)	32	
	<hr/>	\$ 1,062

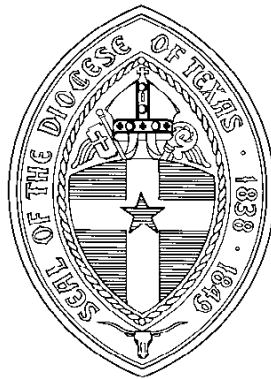
Decreases in expenditures

Group health insurance	(220)	
Organizational development/transition costs	(185)	
Lay staff compensation	(112)	
Invite Welcome Connect	(70)	
	<hr/>	\$ (587)

Net change in the budget **475**

2017 Budget **\$ 10,705**

THE EPISCOPAL DIOCESE OF TEXAS



2017 BUDGET

As Approved by the Executive Board and
Recommended to the 168th Diocesan Council

The Episcopal Diocese of Texas
2017 Budget as Approved and Recommended by the Executive Board

	<u>2015 Budget</u>	<u>2016 Budget</u>	<u>2017 Budget</u>	<u>NOTES</u>
REVENUES				
Assessments				
Diocesan	\$ 6,942,950	\$ 7,230,590	\$ 7,454,875	AT
Insurance	545,000	686,800	473,975	HE
Less: Allowance for Uncollectible Accounts	(74,880)	(79,174)	(158,577)	2.0% PR
Net Assessment Revenue	7,413,070	7,838,216	7,770,273	
Foundation Support				
Church Corporation	110,000	110,000	110,000	
Bishop Quin Foundation	75,000	75,000	75,000	
The Episcopal Foundation of TX	90,000	90,000	90,000	
Church Corporation - Other	25,000	50,000	0	
Total Foundation Grants	300,000	325,000	275,000	
Foundation Overhead Allocation				
Church Corporation	135,582	174,624	135,222	
Bishop Quin Foundation	83,940	100,483	82,712	
The Episcopal Foundation of TX	124,320	127,829	101,115	
Episcopal Health Foundation	224,594	431,788	420,227	
Great Commission Fund	134,637	140,423	117,559	
St. James' House Foundation			35,000	SJF
Grants in support of Diocesan Reorganization	75,000	512,110	881,130	TR
Grant for translation of cultural translation of IWC		45,000	0	
Total Foundation Overhead Payments	778,073	1,532,258	1,772,964	
Other Revenues				
IONA Program Revenue	65,000	30,000	30,000	
Wellness & Care Revenue	6,500	6,000	6,000	
Commission on Ministry Revenue	2,500	2,500	6,000	
Congregational Development Revenue	7,500	6,000	7,500	
Formation/Youth Event Revenue	75,000	110,000	111,500	
Unified Commission Revenues	35,000	20,000	14,750	
Recovery Ministries Income		12,000	-	
Episcopal Service Corps	110,000	87,277	81,728	SC
Other Program Revenue	10,000	7,000	7,000	
Spiritual Formation/FIND			-	
Dialog (TX Episcopalian) Contribution	5,000	4,000	2,000	
Bequests and Donations	0	18,000	-	
Diocesan Council - hosted by EDOT	106,250	116,250	160,000	DC
IWC Summit Revenues	35,000	37,500	-	
Compass Rose Society Reimbursement	50,000	50,000	60,000	
Other Conference Fees	8,000	20,000	10,000	
Miscellaneous Income	107	8,000	285	
Brochures Sales	7,000	0		
Investment Gains (Losses)	0	0		
Total Other Revenues	522,857	534,527	496,763	
TOTAL REVENUES	\$ 9,014,000	\$ 10,230,000	\$ 10,315,000	

EXPENDITURES

OFFICE OF THE BISHOP

Clergy Compensation

Clergy Salaries

Bishop of Texas	189,543	197,030	247,030	
Bishop Suffragan - Tyler (Fisher)	100,819	104,925	112,920	
Bishop Suffragan - Austin (Harrison)	114,438	118,920	124,585	
Assisting Bishop			55,000	AB
Visiting Bishops	5,000	8,000	5,000	
Canon to the Ordinary (Ryan)	43,752	66,500	91,500	
Chief of Staff (Newton)	57,275	55,585	75,585	
Secretary of the Diocese (Logan)	5,579	6,010	6,290	
Total Clergy Salaries	516,406	556,970	717,910	

Housing Allowance and Maintenance

Bishop of Texas	60,000	60,000	70,000	
Bishop Suffragan - Tyler (Fisher)	36,000	36,000	36,000	
Bishop Suffragan - Austin (Harrison)	35,000	35,000	38,000	
Assisting Bishop			15,000	AB
Visiting Bishops	0	0	-	
Canon to the Ordinary (Ryan)	60,000	60,000	60,000	
Chief of Staff (Newton)	48,000	48,000	48,000	
Secretary of the Diocese	8,000	8,000	8,000	
Total Housing Allowance and Maintenance	247,000	247,000	275,000	

Pension and Social Security Reimbursement

Bishop of Texas	70,387	72,425	89,110	
Bishop Suffragan - Tyler (Fisher)	46,436	47,750	51,250	
Bishop Suffragan - Austin (Harrison)	58,016	50,525	54,120	
Assisting Bishop			26,200	
Visiting Bishops	1,868	1,440	1,250	AB
Canon to the Ordinary (Ryan)	38,821	44,700	52,605	
Chief of Staff (Newton)	37,631	38,760	46,445	
Secretary of the Diocese	5,080	5,250	5,350	
Total Pension and SS Reimbursement	258,239	260,850	326,330	

Total Clergy Compensation

1,021,645	1,064,820	1,319,240	
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Lay Staff Compensation

Salaries	355,980	404,743	407,800	IN
Pensions	32,038	36,427	36,700	
Employer FICA	27,232	30,963	31,200	
Total Lay Staff Compensation	415,251	472,133	475,700	

Business and Travel Expense

Bishop of Texas	80,000	80,000	85,000	
Bishop Suffragan - Tyler (Fisher)	55,000	57,500	56,000	
Bishop Suffragan - Austin (Harrison)	50,000	52,500	42,000	
Assisting Bishop			20,000	AB
Visiting Bishops	2,000	5,000	3,500	
Canon to the Ordinary (Ryan)	38,000	35,000	35,000	
Chief of Staff (Newton)	30,000	20,000	20,000	
Secretary of the Diocese	3,000	1,000	1,000	
Retired Diocesan Bishops	10,000	5,000	5,000	
Archdeacon and Deacons			6,000	
Other Business Clergy Travel	1,000	500	500	
Business and Travel - Staff	12,000	10,000	13,000	

Episcopal Assistance	2,500	0	0
Vehicle Interest	5,000	0	0
Vehicle Depreciation	25,000	34,700	37,100
Total Business and Travel Expense	313,500	301,200	324,100
Clergy Conference	98,000	130,000	100,000
TOTAL OFFICE OF THE BISHOP	1,848,396	1,968,153	2,219,040

CANONICAL EXPENSES				
Diocesan Council	286,000	289,500	315,000	DC
Historian and Archives	4,000	4,000	4,000	
Commission on Ministry	40,000	55,000	65,000	COM
General Convention - Deputies	55,000	0	0	
General Convention - Hosting Expenses	50,000	15,000	25,000	
Provincial Synod Assessment	13,500	13,500	13,500	
Provincial Synod Delegates Expenses	15,000	0	0	
Executive Board	9,000	4,500	8,000	
Standing Committee	2,000	2,000	600	
Journal Expense	5,000	0		
Office of the Secretary	1,000	1,000	1,000	
Canonical Printing Expense	5,000	0	0	
TOTAL CANONICAL EXPENSES	485,500	384,500	432,100	

MINISTRY EXPENSES				
Ministry Staff Compensation				
Salaries, Stipends and Housing	590,685	735,075	851,100	IN
Pensions	62,259	87,113	108,900	
Social Security	57,082	71,657	88,900	
Total Ministry Staff Compensation	710,026	893,845	1,048,900	TR
Campus Missions				
Waco, Baylor University	55,000	60,000	60,000	
Houston, Rice University	100,000	105,000	105,000	
College Station, A&M University	180,000	180,000	180,000	
Austin, University of Texas	180,000	180,000	177,500	
University of Houston	60,000	75,000	93,800	
Other Campus Missions	170,000	122,000	128,000	
Total Campus Missions	745,000	722,000	744,300	
Communications				
Dialog	90,000	80,000	72,000	
Communications Department	25,000	30,000	16,000	
Communications Audit			40,000	CA
Translation of outreach materials		45,000	0	
Business and Travel	35,000	30,000	26,000	
Total Communications	150,000	185,000	154,000	
Transition Ministry				
Travel & Business - Transition Minister		10,000	10,000	
Wellness and Care Ministry				
Business and Travel	15,000	15,000	15,000	
Safe Church (Congregational Wellness /Care)	65,000	58,500	60,650	

Clergy & Family Wellness/Care		10,000	10,000
Recovery Ministry		22,000	11,500
Total Wellness and Care Ministry	80,000	105,500	97,150
Other Ministry Expenses			
Interfaith and Ecumenical Work	4,000	2,000	1,000
Chaplains to the Retired	7,200	7,200	7,200
Consultant for Schools		2,000	1,500
Support for Congregations	75,000	70,000	82,000
Calling & Moving	60,000	50,000	75,000
Iona School and Center	215,000	135,000	130,000
Clergy Training (Clericus, Curates, Cont. Educ. & FTIC)		45,000	45,900
Conferences & Clergy Gatherings	72,000	0	60,000
TOTAL MINISTRY EXPENSES	2,118,226	2,227,545	2,456,950

MISSION AMPLIFICATION

Mission Amplification Compensation				
Salaries, Stipends and Housing	395,356	476,299	583,300	IN, MA
Pensions	35,321	42,867	67,600	
Employer FICA	30,022	36,437	53,400	
Total Mission Amplification Compensation	460,699	555,603	704,300	
Congregational Vitality				
Business and Travel	16,000	0	56,000	
Sharing Faith Dinners	3,000	0	0	
Church Plants and Strategic Development		32,500	26,500	
Small Conferences		8,000	4,000	
Newcomer Ministry		9,000	3,000	
Invite Welcome Connect Summit		70,000	0	
Vestry/Leadership Development		20,000	10,000	
Total Congregational Vitality	19,000	139,500	99,500	
Christian Formation				
Christian Formation	50,000	94,000	55,000	
Unified Commissions Expense	65,000	38,010	47,000	
Spiritual Formation/FIND			-	
Youth Ministry	125,000	95,000	130,000	
Episcopal Service Corps	110,000	182,132	177,600	
Business/travel - Other		14,000	16,000	
Total Christian Formation	350,000	423,142	425,600	
Intercultural Development	32,500	32,500	30,500	
TOTAL MISSION AMPLIFICATION EXPENSES	862,199	1,150,745	1,259,900	

SERVICE/OUTREACH

Support of the Episcopal Church	776,593	961,313	1,221,449	DA - 13.5%
Support of the Anglican Communion	250,000	300,000	300,000	
Support for the University of the South	8,000	8,000	8,000	
Millennium Development Goals	63,098	71,610	72,205	.7% of Rev.
World Mission	35,000	35,000	35,000	
Companion Dioceses	40,000	40,000	40,000	
Disaster Outreach Expense	1,000	2,500	3,000	
Prison & Restorative Justice Missions	50,000	40,000	40,000	
TOTAL SERVICE & OUTREACH EXPENSES	1,223,691	1,458,423	1,719,654	

ADMINISTRATIVE EXPENSES

Lay Staff Compensation

Salaries	477,415	710,436	614,100	TR, IN, NA
Reserve for Salary Increases	20,000	20,000	20,000	
Pensions	44,767	63,939	55,300	
Employer FICA	38,052	54,348	47,000	
Total Staff Compensation	580,234	848,723	736,400	

Diocesan Center Operating Expense

Information Technology	255,000	230,000	#	230,000	OH
Website Redesign & New Acctg. System					
Utilities	90,000	90,000	#	88,000	OH
Janitorial, Maint. & Repair	110,000	90,000	#	90,000	OH
Rent - Austin & Tyler Offices	85,000	95,000		95,000	
Storage	15,000	15,000		18,000	
Total Diocesan Center Operating Expense	555,000	520,000		521,000	

General Office Expense

Office Equip Lease/Maint	60,000	40,000		38,000	
Office Supplies/Printing	45,000	35,000		40,000	
Communications-Telephone	57,500	55,000		46,000	
Postage/Delivery Expense	25,000	24,000		28,000	
Miscellaneous Office Expense	7,500	7,500		10,000	
Payroll Processing Expense	12,000	10,000		10,500	
HR Consulting & other transition costs		215,000	##	60,000	TR
Depreciation - Furniture & Equipment	27,000	10,000		22,000	
Total General Office Expense	234,000	396,500	#	254,500	OH

Insurance

Diocesan Property & Casualty Insurance	55,000	62,000	#	80,400	OH
Diocesan Workers' Compensation Insurance	20,000	18,000	#	25,000	OH
Automobile Insurance for Diocesan Vehicles	22,500	18,000		20,000	
Key Executive Life Insurance				15,272	CC
Group Health Insurance	464,487	604,915		334,759	HE
Other Health Insurance Costs (insurance reserve)	75,000	75,000		125,000	
Total Insurance	636,987	777,915		600,431	

Other Administrative Expenses

Overhead reimbursement to the EDOT FSC	284,193	334,040		331,440	
Legal Expense	82,500	50,000		40,000	
Diocesan Audit	28,000	25,000		25,000	
Administrative Contingencies	5,000	0		0	
Interest and Bank Fees	15,000	14,450		15,000	
Miscellaneous Operating Expense	74	7		1,585	
Business/Travel-Finance Staff	47,500	65,000	#	75,000	OH
Subsidy Pension - Retired Clergy	0	1,500		7,000	
Diocesan Staff meetings	7,500	7,500		10,000	
Total Other Admin	469,767	497,497		505,025	

TOTAL ADMINISTRATIVE EXPENSES	2,475,988	3,040,635	2,617,356
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TOTAL EXPENSES	9,014,000	10,230,000	10,705,000
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Special Accounts - Net	0	0	0
NET CHANGE IN ASSETS	\$		

NOTES

- AT Assessment** - The Diocesan Assessment increased as a result of Parish revenues increasing in 2015.
- HE Health Insurance Costs** - Although Insurance Premiums increased a decline in census has allowed the Ins. Assessment to decrease.
This assessment amount is net of the \$5 Million grant from the Episcopal Health Foundation to offset these costs.
- PR Provision for Uncollectibles** - This amount is 2% of the Assessments and represents the amount unlikely to be paid by congregations.
- OH Overhead** - These amounts represent reimbursement to the Diocese for overhead expenses incurred on behalf of the Foundations.
- SJF St. James House Foundation** - Represents a reimbursement from the Foundation for assistance in reorganizing the work of the Foundation.
- TR Transition** - Costs of the reorganization of the Diocesan Office and staff retirements that the Foundations have agreed to reimburse.
- SC Episcopal Service Corps** - Will operate two sites in 2016, Houston and Austin. Austin will only operate for one-half of 2017.
- DC Diocesan Council** - Revenues and costs have increased to due the Council being 3 days in 2017 rather then 2 days.
- AB Assisting Bishop** - Bishop Doyle will ask Council for authority to hire an assisting bishop effective 7/1/17.
- CC Compensation Committee** - The Compensation Committee of the Diocese has recommended enhancements to executive compensation.
- IN Increases** - The Diocese adjusted staff compensation by an average of 2% for 2017.
- COM Commission on Ministry** - Increased expenses are due to additional Discovery Weekends and other meetings.
- CA Communications Audit** - The Diocese will undertake a comprehensive review of communications to allow for strategic planning for the future.
- MA New Mission Amplification Staff** - Includes the hiring of the Director of Mission Amplification.
- DA Diocesan Asking** - The Diocese is moving towards the 2018 TEC goal of 15% of revenues as adopted by General Convention in 2015.
- NA New Administrative Staff** - Includes the hiring of a new Treasurer and Business Manager.

2017 DIOCESAN ASSESSMENTS

<u>PARISHES</u>	<u>City</u>	<u>2015 Total Operating Revenues</u>	<u>Insurance Assessment</u>	<u>Diocesan Assessment</u>
Grace	Alvin	183,122	1,037	10,987
Holy Comforter	Angleton	227,458	1,288	15,922
All Saints'	Austin	1,122,736	6,359	112,274
Good Shepherd	Austin	2,694,865	15,263	267,064
St. Alban's	Austin	378,052	2,141	30,244
St. Christopher's	Austin	186,369	1,056	11,182
St. David's	Austin	2,514,377	14,241	251,438
St. George's	Austin	266,725	1,511	18,671
St. James'	Austin	588,822	3,335	52,994
St. John's	Austin	189,037	1,071	11,342
St. Luke's on the Lake	Austin	936,019	5,301	93,602
St. Mark's	Austin	563,742	3,193	50,737
St. Matthew's	Austin	1,281,733	7,259	128,173
St Michael's	Austin	905,103	5,126	88,417
Calvary	Bastrop	373,596	2,116	26,666
St. Mark's	Bay City	285,007	1,614	19,950
Trinity	Baytown	531,098	3,008	47,799
St. Mark's	Beaumont	794,436	4,499	71,499
St. Stephen's	Beaumont	636,891	3,607	57,320
St. Mary's	Bellville	246,896	1,398	12,570
St. Peter's	Brenham	363,187	2,057	29,055
St. Andrew's	Bryan	494,825	2,803	39,586
Epiphany	Burnet	174,869	990	10,492
Christ Church	Cedar Park	231,071	1,309	13,497
St. Francis'	College Station	165,700	938	9,942
St. Thomas'	College Station	702,266	3,977	57,387
St. James the Apostle	Conroe	624,154	3,535	56,174
St. Aidan's	Cypress	502,781	2,848	39,081
St. Mary's (Houston)	Cypress	620,765	3,516	55,869
Holy Trinity	Dickinson	271,693	1,539	19,019
Christ Church	Eagle Lake	125,802	713	7,548
St. Paul's	Freeport	40,268	228	2,465
Good Shepherd	Friendswood	452,158	2,561	36,173
Grace	Galveston	252,934	1,433	17,705
Trinity	Galveston	690,338	3,910	62,130
Grace	Georgetown	717,434	4,063	59,425
St. Bartholomew's	Hempstead	73,012	414	4,381
St. Matthew's	Henderson	116,720	661	7,003

Ascension	Houston	500,217	2,833	41,868
Christ Church Cathedral	Houston	3,334,753	18,887	333,475
Emmanuel	Houston	570,529	3,231	51,348
Epiphany	Houston	540,134	3,059	48,612
Holy Spirit	Houston	865,731	4,903	86,573
Hope	Houston	185,233	1,049	11,114
Palmer Memorial	Houston	1,907,126	10,801	190,713
San Mateo	Houston	242,000	1,371	16,940
St. Andrew's	Houston	550,780	3,119	29,775
St. Barnabas'	Houston	57,474	326	3,448
St. Christopher's	Houston	358,928	2,033	28,714
St. Cuthbert's	Houston	844,881	4,785	80,830
St. Dunstan's	Houston	1,270,739	7,197	127,074
St. Francis'	Houston	1,941,171	10,994	169,880
St. James'	Houston	677,495	3,837	60,975
St. John the Divine	Houston	6,909,543	39,134	690,954
St. Luke the Evangelist	Houston	87,390	495	5,243
St. Mark's	Houston	1,093,894	6,195	88,248
St. Martin's	Houston	13,847,003	78,427	1,342,446
St. Stephen's	Houston	875,947	4,961	79,963
St. Thomas'	Houston	630,268	3,570	56,724
St. Thomas the Apostle	Houston	516,519	2,925	41,322
Trinity	Houston	963,002	5,454	88,246
Christ the King	Humble/Atascocita	272,857	1,545	19,100
St. Stephen's	Huntsville	224,151	1,270	15,691
Trinity	Jasper	80,204	454	4,812
Holy Apostles'	Katy	1,142,581	6,471	114,258
St. Paul's	Katy	390,453	2,211	20,438
St. Christopher's	Killeen	303,113	1,717	19,714
Good Shepherd	Kingwood	998,791	5,657	99,879
St. James'	La Grange	353,187	2,000	22,180
St. Timothy's	Lake Jackson	435,819	2,468	34,866
St. Mary's	Lampasas	130,911	741	7,855
St. John's	La Porte	271,735	1,539	19,021
St. Christopher's	League City	553,260	3,134	49,793
St. Stephen's	Liberty	247,570	1,402	17,330
St. Luke's	Livingston	135,031	765	8,102
St. Michael & All Angels	Longview	145,609	825	8,737
Trinity	Longview	675,065	3,823	60,756
St. Cyprian's	Lufkin	550,469	3,118	49,542
Trinity	Marble Falls	381,694	2,162	30,536
St. John's	Marlin	69,209	392	3,662
Trinity	Marshall	458,710	2,598	36,697

St. Catherine's	Missouri City	378,708	2,145	30,297
Christ Church	Nacogdoches	433,085	2,453	34,647
St. Paul's	Navasota	93,944	532	5,637
St. Philip's	Palestine	254,213	1,440	17,795
St. Andrew's	Pearland	537,687	3,045	43,929
Holy Trinity	Port Neches	219,424	1,243	12,923
St. Francis of Assisi	Prairie View	77,605	440	4,656
Calvary	Richmond	612,211	3,467	46,074
St. Mark's	Richmond	420,248	2,380	21,032
St. Richard's	Round Rock	478,235	2,709	38,259
St. John's	Sealy	73,999	419	4,440
Holy Comforter	Spring	339,390	1,922	23,399
All Saints'	Stafford	324,231	1,836	25,938
Holy Cross	Sugar Land	439,169	2,487	35,134
Christ Church	Temple	460,787	2,610	36,639
St. Francis'	Temple	297,538	1,685	20,828
St. George's	Texas City	136,767	775	8,206
Good Shepherd	Tomball	339,475	1,923	25,486
Trinity	The Woodlands	1,598,935	9,056	159,545
Christ Church	Tyler	1,546,330	8,758	154,633
St. Francis'	Tyler	217,900	1,234	13,746
Holy Spirit	Waco	308,859	1,749	19,026
St. Alban's	Waco	665,559	3,770	42,914
St. Paul's	Waco	1,236,368	7,002	123,637
St. Mary's	West Columbia	205,008	1,161	12,300
St. Thomas'	Wharton	287,584	1,629	20,131
TOTAL		80,100,496	453,666	7,204,488
PARISHES				

MISSIONS	City	<u>2015 Total</u> <u>Operating</u> <u>Revenues</u>	<u>Insurance</u> <u>Assessment</u>	<u>Diocesan</u> <u>Assessment</u>
Trinity	Anahuac	45,792	195	2,748
Resurrection	Austin	235,222	999	16,466
San Francisco De Asis	Austin	80,607	342	4,836
Epiphany	Calvert	38,665	164	1,002
All Saints'	Cameron	136,230	579	3,995
St. John's	Carthage	59,093	251	3,546
St. John's	Center	36,558	155	2,186
St. John's	Columbus	39,549	168	2,373
St. Martin's	Copperas Cove	54,722	232	3,175
All Saints'	Crockett	35,759	152	2,024

St. Augustine of Hippo	Galveston	66,435	282	3,986
St. Philip's	Hearne	10,703	45	290
All Saints'	Hitchcock	59,646	253	3,062
Christ the King Alief	Houston	180,081	765	10,805
Grace (St. Geo & Pats)	Houston	243,994	1,036	17,080
Lord of the Streets	Houston	654,634	2,781	4,282
Redeemer	Houston	109,642	466	6,389
San Pablo & St. Paul's	Houston	98,500	418	5,910
Santa Maria Virgen	Houston	225,922	960	15,815
St. Alban's	Houston	83,237	354	8,485
St. Timothy's	Houston	189,843	806	11,391
Trinity	Jacksonville	52,665	224	3,160
Christ Church	Jefferson	60,703	258	3,374
St. Paul's	Kilgore	88,042	374	5,283
St. Peter's	Lago Vista	70,464	299	4,228
Church of the Cross	Lake Travis	127,486	542	7,649
St. Michael's	La Marque	195,486	830	11,298
St. Paul's	Leigh	14,574	62	874
St. Luke's	Lindale	63,611	270	3,783
Holy Innocents'	Madisonville	21,785	93	1,307
St. Mary Magdalene	Manor	89,206	379	9,020
Christ Church	Matagorda	30,366	129	2,193
Christ Church	Mexia	60,427	257	2,483
St. Paul's	Orange	133,053	565	7,798
St. John's	Palacios	17,106	73	1,026
St. Peter's	Pasadena	251,763	1,069	17,623
St. Paul's	Pflugerville	57,201	243	3,432
St. Thomas'	Rockdale	34,539	147	2,072
St. Julian of Norwich	Round Rock	330,392	1,403	10,357
St. Joseph's	Salado	91,810	390	4,791
Christ Church	San Augustine	50,976	217	3,059
St. John's	Silsbee	115,365	490	6,922
St. James'	Taylor	49,921	212	3,442
St. John the Baptist	Tyler	29,804	127	1,788
St. Paul's	Woodville	59,644	253	3,579
TOTAL MISSIONS		4,781,223	20,309	250,387
GRAND TOTAL		84,881,719	473,975	7,454,875

Episcopal Diocese of Texas

(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Episcopal Diocese of Texas

(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Council of
the Protestant Episcopal Church in the Diocese of Texas:

We have audited the accompanying financial statements of Episcopal Diocese of Texas (an operating unit of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

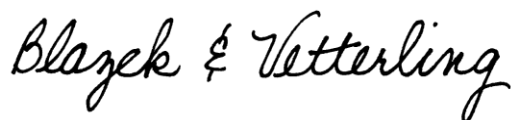
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Episcopal Diocese of Texas as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May 18, 2016

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 60,629	\$ 254,072
Assessments and other receivables:		
Diocesan operating entities	223,858	52,740
Parishes and missions	487,178	307,026
Other	99,727	16,746
Prepaid expenses	100,128	346,700
Property, net (<i>Note 2</i>)	<u>298,491</u>	<u>333,556</u>
TOTAL ASSETS	<u>\$ 1,270,011</u>	<u>\$ 1,310,840</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 169,267	\$ 143,687
Due to Diocesan operating entities	23,285	45,252
Funds held for parishes and missions	64,372	42,064
Grants payable	100,881	80,969
Deferred revenue	51,841	248,016
Notes payable (<i>Note 3</i>)	<u>350,000</u>	<u>7,726</u>
Total liabilities	<u>759,646</u>	<u>567,714</u>
Commitments (<i>Note 7</i>)		
Net assets:		
Unrestricted	472,456	624,707
Temporarily restricted (<i>Note 4</i>)	<u>37,909</u>	<u>118,419</u>
Total net assets	<u>510,365</u>	<u>743,126</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,270,011</u>	<u>\$ 1,310,840</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2015

<u>UNRESTRICTED</u>		<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Diocesan assessments of parishes and missions	\$ 7,412,232		\$ 7,412,232
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the			
Dioceses of Texas	335,982		335,982
The Episcopal Health Foundation	239,994		239,994
The Bishop Quin Foundation	144,340		144,340
Episcopal Foundation of Texas	229,720		229,720
The Great Commission Foundation	205,037		205,037
Contributions		\$ 109,643	109,643
Program fees	725,864		725,864
Other			
Total revenue	9,293,169	109,643	9,402,812
Net assets released from restrictions:			
Program expenditures	190,153	(190,153)	
Total	9,483,322	(80,510)	9,402,812
EXPENSES:			
Diocesan clergy and lay salaries and related benefits	3,927,124		3,927,124
Diocesan programs	2,102,577		2,102,577
Outreach and service	1,456,032		1,456,032
Diocesan center operations	1,135,622		1,135,622
Travel, business, and continuing education	508,522		508,522
Administrative support for congregations	505,696		505,696
Total expenses (<i>Note 6</i>)	9,635,573		9,635,573
CHANGES IN NET ASSETS	(152,251)	(80,510)	(232,761)
Net assets, beginning of year	624,707	118,419	743,126
Net assets, end of year	\$ 472,456	\$ 37,909	\$ 510,365

See accompanying notes to financial statements.

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2014

<u>UNRESTRICTED</u>		<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Diocesan assessments of parishes and missions	\$ 6,873,734		\$ 6,873,734
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the			
Dioceses of Texas	637,605		637,605
The Episcopal Health Foundation	329,046		329,046
The Bishop Quin Foundation	196,958		196,958
Episcopal Foundation of Texas	169,524		169,524
The Great Commission Foundation	132,304		132,304
Contributions	20,305	\$ 75,538	95,843
Program fees	390,842		390,842
Other	<u>1,716</u>	<u> </u>	<u>1,716</u>
Total revenue	8,752,034	75,538	8,827,572
Net assets released from restrictions:			
Program expenditures	<u>24,481</u>	<u>(24,481)</u>	<u> </u>
Total	<u>8,776,515</u>	<u>51,057</u>	<u>8,827,572</u>
EXPENSES:			
Diocesan clergy and lay salaries and related benefits	3,585,836		3,585,836
Diocesan programs	1,543,537		1,543,537
Outreach and service	1,282,509		1,282,509
Diocesan center operations	1,190,944		1,190,944
Travel, business, and continuing education	546,254		546,254
Administrative support for congregations	<u>304,264</u>		<u>304,264</u>
Total expenses (Note 6)	<u>8,453,344</u>		<u>8,453,344</u>
CHANGES IN NET ASSETS	323,171	51,057	374,228
Net assets, beginning of year	<u>301,536</u>	<u>67,362</u>	<u>368,898</u>
Net assets, end of year	<u>\$ 624,707</u>	<u>\$ 118,419</u>	<u>\$ 743,126</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (232,761)	\$ 374,228
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	113,262	144,312
Provision for uncollectible accounts	75,000	83,102
Changes in operating assets and liabilities:		
Assessments and other receivables	(509,251)	193,676
Prepaid expenses	246,572	(216,767)
Accounts payable and accrued expenses	25,580	(59,975)
Due to Diocesan operating entities	(21,967)	45,252
Funds held for parishes and missions	22,308	(46,797)
Grants payable	19,912	(20,650)
Deferred revenue	<u>(196,175)</u>	<u>208,999</u>
Net cash provided (used) by operating activities	<u>(457,520)</u>	<u>705,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(93,197)	(184,595)
Proceeds from disposal of assets	15,000	
Repayments of notes receivable from parishes and missions		55,334
Advances for notes receivable from parishes and missions	<u> </u>	<u>(20,000)</u>
Net cash used by investing activities	<u>(78,197)</u>	<u>(149,261)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on notes payable	450,000	59,797
Payments on notes payable	<u>(107,726)</u>	<u>(421,930)</u>
Net cash provided (used) by financing activities	<u>342,274</u>	<u>(362,133)</u>
NET CHANGE IN CASH	(193,443)	193,986
Cash, beginning of year	<u>254,072</u>	<u>60,086</u>
Cash, end of year	<u>\$ 60,629</u>	<u>\$ 254,072</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas

(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Episcopal Diocese of Texas (EDOT) is an operating unit of Diocesan accounts (Missionary Budget Account and Diocesan Budget Account) of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). EDOT was organized in 1836 in the State of Texas, and is a constituent of the Protestant Episcopal Church of the United States of America. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Episcopal Diocese of Texas and a standing committee. EDOT carries out the ministry of the Diocese and is supported primarily through assessments from parishes within the Diocese. EDOT functions in coordination with the operations of the Protestant Episcopal Church Council in the Diocese of Texas, which guarantees its outstanding liabilities and provides Diocesan operating facilities and other support.

Related entities – The Executive Board (the Board) of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Episcopal Diocese of Texas. The Board is responsible for the governance of EDOT and pursuant to various Canons; the Board has certain oversight responsibilities relating to the affairs of the following related Diocesan operating entities:

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *The Bishop Quin Foundation (BQ)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of BQ include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *EDOT Financial Services Corporation (FSC)* was created to provide human resources, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy throughout the Diocese.

EDOT routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of EDOT. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the related Diocesan operating entities, parishes, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from EDOT, maintains separate financial records, and administers its own services and programs.

Federal income tax status – The Protestant Episcopal Church in the Diocese of Texas is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Allowances for uncollectible accounts are provided when it is believed they may not be collected in full. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of each receivable balance.

Property is reported at cost if purchased and at fair value at the date of gift if donated. EDOT provides for depreciation using the straight-line method based upon estimated useful lives of 3 to 15 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Diocesan assessments of parishes and missions – In order to provide funds for its operation, the Diocese levies assessments on its parishes and missions based on size and certain other factors. Revenue from these assessments is recognized in the period in which the assessments are levied.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Program fees are recognized as revenue when the services are provided. Fees paid in advance are reported as deferred revenue.

Grants made are recognized as an expense at fair value when EDOT approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Commitments made but not yet funded are reported as grants payable. Grants payable at December 31, 2015 are to a related parish mission for \$43,000 and to seven global partners of the Domestic and Foreign Mission Society of the Episcopal Church. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return. All grants payable at December 31, 2015 are payable within one year.

Donated materials, use of facilities and services are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses – During the years ended December 31, 2015 and 2014, management estimates that approximately 79% and 73% of expenses were attributable to program services and 21% and 27% were attributable to management and general activities, respectively.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019 – early adoption is permitted. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – PROPERTY

Property consists of the following:

	<u>2015</u>	<u>2014</u>
Office equipment and vehicles	\$ 821,697	\$ 798,604
Accumulated depreciation	<u>(523,206)</u>	<u>(465,048)</u>
Property, net	<u>\$ 298,491</u>	<u>\$ 333,556</u>

NOTE 3 – NOTES PAYABLE

EDOT has a \$1,000,000 line of credit with a bank with an interest rate of prime less 0.75%, with a 2.8% floor (2.8% at December 31, 2015), expiring in October 2017. The line of credit is guaranteed by Church Corporation. At December 31, 2015, there was a \$350,000 outstanding balance.

EDOT has entered into notes payable agreements which totaled \$7,726 at December 31, 2014, to various financial institutions for the purchase of vehicles. The notes were repaid during the year ended December 31, 2015.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships and missions	\$ 20,296	\$ 50,806
Needs of impoverished people		50,000
Other	<u>17,613</u>	<u>17,613</u>
Total temporarily restricted net assets	<u>\$ 37,909</u>	<u>\$ 118,419</u>

NOTE 5 – RETIREMENT PLANS

Clergy Plan

EDOT is a participating employer in pension plans sponsored and administered by The Church Pension Fund (the Fund). The Fund, a corporation chartered in 1914 by the Legislature of the State of New York, was established by the General Convention of the Episcopal Church. The Fund and its affiliates are official agencies of the Episcopal Church and operate under the Canons of the Episcopal Church.

The Clergy Pension Plan (the Clergy Plan) is a defined benefit plan providing retirement, death and disability benefits to eligible clergy of the Episcopal Church. The Clergy Plan (the Plan) is exempt from the federal income

taxes and, as church plans are exempt from the Employee Retirement Income Security Act of 1974, the Plan is not subject to Pension Benefit Guaranty Corporation requirements.

The assets of the Plan are pooled along with other assets of the Fund solely for investment purposes for the benefit of all participants. The Fund may amend, terminate or modify the terms of the Plan, including the employer assessment rate, at any time, without notice and for any reason. Should the Plan terminate, the Fund has the authority to distribute assets in accordance with the terms of the respective Plan's documents.

All bishops, priests and deacons who are canonically resident in a domestic diocese of the Episcopal Church and who are not participating in the International Clergy Pension Plan must participate in the Clergy Plan if the cleric receives \$200 or more per month in compensation for three or more consecutive months from the same employer.

Participating employers pay assessments to the Plan on behalf of the eligible participants. Assessments for the Clergy Plan are equal to 18% of the applicable participants' compensation, which includes salaries, other cash compensation and the value of housing. Assessments fund benefits provided by the Plan. Assessments are not held in individual accounts, but are invested in a general fund of pooled contributions for all employees participating in the Plan.

EDOT recognizes its assessments in the period that the related services are provided by the clergy. During 2015 and 2014, EDOT recognized assessments to the Plan totaling approximately \$217,000 and \$230,000, respectively.

The funding positions of the Plan as of March 31, 2015 and 2014 as reported in the Fund's latest audited financial statements are summarized below. The amount designated for assessment deficiencies represents an allocation of assets for the actuarial present value of the estimated amount to be paid out in benefits in excess of the estimated amount to be received in assessments in connection with the Plan.

	<u>2015</u>	<u>2014</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 8,358,801,000	\$ 8,643,159,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,937,803,000)</u>	<u>(5,821,173,000)</u>
Surplus	<u>\$ 1,420,998,000</u>	<u>\$ 2,821,986,000</u>

Non-clergy employees

EDOT sponsors a defined contribution benefit plan for non-clergy employees which is qualified under §403(b) of the Internal Revenue Code. EDOT makes contributions based on employees' annual compensation. EDOT contributed approximately \$140,000 and \$131,000 to this plan in 2015 and 2014, respectively.

NOTE 6 – RELATED ENTITY TRANSACTIONS

EDOT provides support to parishes, schools, missions, and other Diocesan entities. During 2015 and 2014, EDOT expended approximately \$728,000 and \$593,000 to parishes, schools, and missions, respectively. Additionally, EDOT uses Camp Allen Camp and Conference Center (Camp Allen) facilities for meetings and conferences and recognized expenses for use of approximately \$386,000 and \$330,000 to Camp Allen during 2015 and 2014, respectively. EDOT recognized expenses provided by FSC for administrative support totaling approximately \$284,000 and \$270,000 during 2015 and 2014, respectively, and for clergy health costs totaling approximately \$275,000 and \$118,000 for 2015 and 2014, respectively. These amounts are included in expenses in these financial statements.

NOTE 7 – LEASE COMMITMENTS

EDOT leases office space and office equipment under operating leases. The office space for the Austin Diocesan offices is leased from EFT through May 31, 2029, at a rate of approximately \$60,000 per year.

Future minimum lease payments are as follows:

2016	\$ 108,120
2017	93,732
2018	93,732
2019	92,354
2020 through 2029	<u>574,968</u>
Total minimum lease payments	<u>\$ 962,906</u>

Rental expense for 2015 and 2014 was \$120,000 and \$104,000, respectively.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

HEALTH INSURANCE

The Diocese of Texas purchases its health insurance coverage through the group medical plans offered by the Episcopal Church Medical Trust. (An affiliate of the Church Pension Fund) These plans cover all eligible active clergy, retired clergy, surviving clergy spouses, diocesan lay employees and the eligible dependents of each of these groups.

To active participants the Diocese currently offers six Medical Trust Plans:

1. Cigna Consumer Directed Health Plan CDHP-20
2. Cigna Open Access Plus
3. Anthem Blue Cross Blue Shield EPO 80 Plan
4. Anthem Blue Cross Blue Shield PPO 75/50 Plan
5. Anthem Blue Cross Blue Shield PPO 70 Silver Plan
6. Anthem Blue Cross Blue Shield Consumer Directed Health Plan CDHP-40
7. Anthem Blue Cross Blue Shield PPO 90/70 Plan

Retired clergy and their surviving spouses on Medicare continue to be covered by Supplements to Medicare Part A and Part B that are offered by the Episcopal Church Medical Trust. The Diocese also provides a Mental Health Supplement that is administered through the Episcopal Church Medical Trust's Employee Assistance Plan, which is available to all covered clergy and lay employees.

Overall, the cost of health insurance for the Diocese will rise by 3% for 2017. This increase is less than the average for premium increases across the United States. Our Insurance Task Force will be meeting in 2017 to look at these changes in more detail and be ready to make recommendations to the Executive Board prior to yearend.

As a reminder, in September, 2013 the Executive Board voted that all clergy joining the Diocese after December 31, 2014 would receive only single coverage for themselves. By terminating family coverage for those clergy hired after January 1, 2015, the Diocese has now fully implemented parity between clergy and lay health insurance coverage.

As in past years, the Diocese will be provided with \$5 million in 2017 to offset its health care costs through the generosity of the Episcopal Health Foundation. These funds will allow the Executive Board to continue the significantly reduced insurance assessment on the parishes.

Please either call or email Zee Turnbull, Human Resources/Benefits Administrator, at 713-353-2120 or 1-800-318-4452, ext. 2120, zturnbull@epicenter.org for further information regarding health insurance.

Linda Riley Mitchell, CFO

CLERGY LIFE INSURANCE

Effective January 1, 2009, the Church Pension Fund increased the life insurance coverage available to clergy and began providing up to \$100,000 in life insurance for all eligible, active clergy. This increased benefit generates imputed taxable income to the clergyperson under the Internal Revenue Code. Churches will need to include this amount on the clergy person's W-2 each year.

The Church Pension Fund also provides up to \$50,000 in life insurance for all eligible, retired clergy or if the clergy person has 25 years of credited service the retired clergy will continue to receive \$100,000 of life insurance. I want to emphasize how extremely important it is that pension assessments be paid currently for all active clergy.

Failure to do so by their parishes could result in the loss of this important life insurance benefit to the clergy. If the pension assessments for a priest are in arrears by more than six months and the priest should die, the life insurance benefit will not be paid.

Since 2002, supplemental Life Insurance has been offered to all active clergy and lay employees under the age of sixty-five. This plan offers the option to purchase supplemental term life insurance for the eligible clergy person or lay employee up to three times the life insurance benefit the Diocese provides. Or, you may purchase in increments of \$50,000 to a maximum of \$500,000 of coverage. Spousal coverage is based on the same calculation, however it is limited to a maximum coverage of \$240,000. Clergy and lay employees will be responsible for the premiums and you may apply at date of hire. Premiums are based upon age and change in five-year increments. The supplemental term life insurance will be automatically reduced by 50% at age sixty-five, and terminates at age seventy.

For more information, please call or email Zee Turnbull, Human Resources/Benefits Administrator at the Diocesan Center at 713-353-2120 or 1-800-318-4452, extension 1012, zturnbull@epicenter.org.

Linda Riley Mitchell, CFO

PENSIONS

Pensions are provided to the clergy of the Diocese through participation in the Church Pension Fund. Parishes fund these benefits by their quarterly contributions to the Fund based on the compensation of their clergy.

The Pension Fund's total net assets for the year ended March 31, 2016 were over \$11.44 billion representing a decrease of over \$250 million from last year. These assets are still in excess of the required reserves by over \$1.40 billion. The Fund investments has an essentially flat return during this fiscal year. The Pension Fund paid out a total of \$360 million in pensions and other benefits during fiscal 2015.

The following table delineates the beneficiaries receiving benefits in each of the two fiscal years, each ending March 31:

<u>Beneficiaries</u>	<u>2016</u>	<u>2015</u>
Retired Clergy		
Normal Retirement	3,914	3,831
Early Retirement	3,606	3,604
Disability Retirement	447	452
Surviving Spouses	<u>2,681</u>	<u>2,650</u>
TOTAL	10,648	10,537

As the number of retirees increases in every diocese, the Church Pension Fund, through its Ministry to the Retired, is available to assist Chaplains designated by our Bishop in the ministry established in our diocese. Through personal contact and educational services, they are willing to assist the Chaplains in interpreting pension benefits as well as introduce proven programs for ministry to and with the retired. The Church Pension Fund, in conjunction with the Diocese, provides training to enhance the pastoral ministry of these chaplains. The Church Pension Fund's department of Pastoral Care and Education continues to offer Planning for Tomorrow Conferences, presented in each diocese every five years.

Church treasurers should be aware that 30% of the priest's compensation is the

annual housing factor to be used when computing the pension base for a clergy person who lives in a home owned by the church. Amounts reimbursed to clergy for payment of their self-employment Social Security also form part of the pension base along with salary, housing, and utility allowances. Forms for calculation of clergy pension are available on the Diocesan website.

Church treasurers should promptly notify the Church Pension Fund office of all changes in compensation paid to their clergy staff. Quarterly Pension assessment statements are issued by the Church Pension Fund office, 19 East 34th Street, New York, NY 10016, and are based upon information on file with that office. Each source of clergy compensation has the responsibility of posting changes as they occur. However, the clergy should also review their reports from the Pension Fund to assure the accuracy and timeliness of the amounts remitted to the Church Pension Fund. Delay in reporting changes results in retroactive adjustments, which are difficult to manage. In addition, adjustments can only be made for the previous two years, so failure to report adjustments could result in lower pension bases and therefore reduced pensions at retirement. Should you have any questions or seek any information, the telephone number for the Church Pension Group is 1-866-802-6333 or you may contact Zee Turnbull in our office (713-353-2120) or zturnbull@epicenter.org.

Linda Riley Mitchell, CFO r

PROPERTY INSURANCE

Nearly all congregations within the Diocese insure their real and personal property with the Church Insurance Company and their product partners. Parishes, missions and entities within the Diocese are free to insure their property with any reputable company of their choice so long as the coverages afforded are in accordance with Title II, Canon 5.2. This Canon requires that the coverages afforded under policies purchased from outside sources be comparable to those from the Church Insurance Company in the Diocesan master policy. Most commercial carriers will not write sexual misconduct insurance for churches and this coverage is required by the Diocese.

We recommend an annual review of your insurance coverage for general liability, sexual misconduct, non-owned auto, worker's compensation, director's and officer's liability and umbrella liability provisions.

A Blanket Crime provision covers theft within churches with a \$25,000 limit. (Additional coverage is available at the church's expense.) Specific entities may find that they require other more expanded coverages to protect fine art, stained glass, vestments or other valuable church property. Church Insurance protects their insureds with all these coverages through the Diocesan master policy. They are also available to assist in reviewing your coverage.

Church Insurance Agency has obtained product partners to provide quality coverage in a number of areas at more affordable rates for products such as director's and officer's and umbrella liabilities. This coverage is recommended by the Diocese.

For information and assistance with insurance through the Church Insurance Company, please contact our agent Mr. John Scheffler, Vice President of Client Services, at 972-355-0927 or via email to JScheffler@cpq.org. You may also contact David Fisher in our offices at 713-353-2109 or dfisher@epicenter.org.

Linda Riley Mitchell, CFO

VIII. COMMITTEES AND BOARDS CREATED BY CANON

AUSTIN CONVOCATION

In the spring of 2015, the Austin Convocation continued its pattern of monthly luncheons through the conclusion of the Program Year in May. As we had for the last four Program Years, the Clericus rotated the location of these meetings among the Austin-area institutions of the Diocese. This variety of settings provided the opportunity for colleagues in ministry to welcome peers to our respective campuses; to pray together in these spaces where we “live and move and have our being;” and to tangibly support one another’s work in the larger Church.

Beginning in the fall of 2016, the Austin Convocation met monthly in three, newly-designated “Deaneries:” the Northwest Deanery of the Austin Convocation; the Central Deanery of the Austin Convocation; and the Eastern Deanery of the Austin Convocation. Each of these subgroups were supported by the leadership of a “Convening Congregation,” providing for a central meeting location, as well as a “Convening Cleric” tasked with facilitating their Deanery’s meetings.

The Northwest Deanery comprises the diocesan institutions clustered around the lakes northwest of Austin, roughly bordered by Highway 360 to the east; Highway 183 to the north; and the boundary of the Diocese of West Texas to the south and to the west. Saint Luke’s on the Lake serves as the Convening Congregation of the Northwest Deanery, with its rector, the Rev. Mike Wykoff, serving as the Convening Cleric.

The Eastern Deanery comprises the diocesan institutions situated to the north and east of Austin, bordered roughly by Highway 183 to the northwest; Toll Roads 45 and 130 to the west; the boundary of the Diocese of West Texas to the south; the boundary of the Northwest Convocation to the north; and the boundary of the Central Convocation to the east. Saint Richard’s-Round Rock serves as the Convening Congregation of the Eastern Deanery, with its rector, the Rev. Stuart Shelby, serving as the Convening Cleric.

The Central Deanery comprises the diocesan institutions situated within the City of Austin, bordered roughly by 360 to the west; Toll Road 45 to the north; Toll Road 130 to the east; and the boundary of the Diocese of West Texas to the south. Saint John’s-Austin serves as the Convening Congregation of the Central Deanery, with its rector, the Rev. Matt Seddon, serving as the Convening Cleric.

We intend this reorganization to increase participation and enhance collaboration, and we look forward to reporting our experience to the 2018 Council.

Morgan S. Allen, Dean

CENTRAL CONVOCATION

St. Peter’s, Brenham concluded five years of prayer for a deacon in February. Those prayers were answer when they welcomed the Rev. Carol Peterson to the congregation. She is a tremendous asset not only in terms of strengthening their present ministries, but in developing new ones in the wider community. Along similar lines, St. Peter’s continues to be involved in outreach activities of all kinds, including raising funds for various charities in the area, supplying backpacks and school supplies, seafarers Christmas boxes, and Christmas presents for children in the care of CPS. During the year St. Peter’s also hosted several concerts, a Creative Arts Camp and the Diocesan Music

Camp. This fall they developed partnerships with Mt. Rose Missionary Baptist Church to join in the Concert Across America as well as an upcoming one with them involving Prairie View A&M choir and orchestra. Saint Peter's joined with Mission Brenham to provide art and music for at-risk children in the after school program. The congregation held its first Missional Sunday event in moving beyond the walls of the church on Sunday morning to engage in projects across the community and interacting with others in various places including, historical sites, parks, laundries and our immediate neighborhood.

St. Thomas, College Station continues its remarkable outreach ministry during the search for a new rector following the sad death of Rhoda Montgomery, well-beloved leader of the parish. Notable in this outreach is the leadership and support shown to the Brazos Interfaith Immigration Network, where now departing Associate Rector Jim Said served as president this past year. The Early Learning Center is presently completing a new classroom building made possible by a successful capital campaign which has raised over a million dollars.

St. Andrew's, Bryan continued to develop its ministry to downtown Bryan by opening the doors of the church on First Friday's to visitors and inviting visitors to walk a labyrinth in the parish hall. Saint Andrew's leadership has also been at work on developing an updated strategic plan for the parish in response to growth at Blinn College and Texas A&M, and new housing developments in and around in Bryan/College Station.

Epiphany, Calvert hosted its first Vacation Bible School with the assistance the Church of the Epiphany, Houston. Epiphany, Houston sent a mission team of 7 to help, and 24 children participated over the three days.

St. Philip's, Hearne celebrated the ordination of its Pastoral Leader, Nandra Perry, to the transitional diaconate. With the assistance of the Episcopal Health Foundation St. Philip's is providing leadership training to those participating in the Texas Rural Leadership Program.

Daryl T. Hay, Dean

EAST HARRIS CONVOCATION

It's been a wonderful year for the parishes of the East Harris Convocation. This group meets on the fourth Thursday of each month at St. James, Houston. We are a facilitator assisted group and have been this way for years. Early in 2016, we transitioned from a three-year facilitation relationship with Deborah Lindeen to a new facilitation relationship with Sharon Carol. Deborah was extremely helpful during her time with us and Sharon is off to a good start.

Our major points of focus are fellowship and mutual support, which we achieved through a time of check-in that covers the ups and downs of both our parish ministry and personal lives. This meeting format tends to serve us well because it offers a time and space for honest reflection, support, and encouragement.

During the course of the year, we have had several clergy join our ranks. The Rev. Viktoria Gotting of St. John's, LaPorte, the Rev. Steve Capper of Lord of the Streets, Houston, the Rev. Rebecca (Beccy) Smith Booth of Trinity, Baytown, and the Rev. Ed Gomez from St. Paul's, Pasadena have been great additions to our group.

Victor J. Thomas, Dean

GALVESTON CONVOCATION

The clergy of the Galveston Convocation meet the first Wednesday of each month for lunch, fellowship, and programs chosen by the clericus. We gather in the geographic middle of our region at Holy Trinity in Dickinson. July, the 7th month of the year, continues to be our Sabbath month during which we do not meet.

Some changes within the churches of the Galveston Convocation in 2016 include: St. Christopher in League City: The Rev. Brian Cannaday accepted the call to be rector.

Grace, Alvin: The rector, The Rev. David Price, accepted a call to another church in the diocese, and The Rev. Nan Doerr is serving as Interim Rector.

Recognizing the value of sharing our church and personal “best practices” as well as leadership conundrums, we dedicated portions of our time together for facilitated discussions around and explorations into a diversity of areas.

FROM GRACE EPISCOPAL CHURCH, ALVIN

Grace Episcopal Church seeks to deepen relationships with God, bring individuals together into a family that builds up one another in love and support, and actively serve our neighbors and community. Our primary fund raisers, Don's Fish Fry and the Grace Pumpkin Patch, have been very successful this year. Our outreach to the De George Center for Veterans and to the Gathering Place for people with Alzheimer continue to be viable ministries of the parish. Grace is just beginning the search process for a new rector and looks forward to a bright and Spirit-filled future. -The Rev. Nan Doerr

FROM GRACE EPISCOPAL CHURCH, GALVESTON

Grace Episcopal Church, Galveston celebrates a great 2016! In this past year we have expanded our ministry with our children and youth, partnered in new ways with the Alcohol and Drug Abuse (ADA) Women's Center, joined with the Island Episcopal Community to form a prayer focused missional community, stepped up to part with the Galveston Police Department in initiatives for the reconciliation of our community, planted a community garden, and are in the midst of the construction phase of the restoration of our Bell Tower. We endeavor to continue to live into our mission: "Through the grace of God to help each person experience God's love and guidance." -The Rev. Meredith Holt Crigler

FROM TRINITY EPISCOPAL CHURCH, GALVESTON

Trinity, Galveston was founded in 1841 and so the year 2016 marks our 175th anniversary as a congregation. We are still going strong in spite of storms, epidemics, and all manner of challenges. This year we have embarked on the journey of building restoration, have welcomed many new members, and have continued our vital relationships with Trinity Episcopal School and the William Temple student center. We look forward to welcoming the Diocesan Council home to Galveston! -The Rev. Susan Kennard

FROM ST. THOMAS THE APOSTLE EPISCOPAL CHURCH AND SCHOOL, NASSAU BAY

St. Thomas the Apostle Episcopal Church and School invites all to join us as we follow the example of Christ in **Welcoming** all into the community of Christ; **Worshipping** in the dynamic Episcopal tradition; **Learning** the Christian faith, and; **Serving** our neighbors and the world. In 2016, we expanded our Welcome by affirmatively studying world

religions and hosting several conversations around interfaith cooperation and by creating a hospitality ministry. On November 15, we began construction on a new chapel inside our sanctuary to allow for community access to prayer from 7am-6pm most weekdays, the housing of our columbarium, and an intimate setting for wedding, funerals, and healing services. 2016 also saw the addition of drive-through, lunch-hour imposition of ashes and Eucharist on Ash Wednesday and a Longest Night service of grief and loss on Advent 4. In addition to Learning about interfaith cooperation, we spent 2016 studying Brene Brown's *The Gifts of Imperfection*, the historical books of the Hebrew Bible, and questions and practices that form our Episcopal Identity. 2016 was also a year of Service: our parish thrift shop, the Nearly New, raised and distributed more than \$13,000 to community service organizations and supplied clothing to 100's of families each quarter. The parish and school collected more than 15 cubic yards of foodstuffs for the ICM pantry, provided foot washing and 55 pairs of shoes to chronically homeless families on Maundy Thursday, more than 5 cubic yards of socks, blankets, hoodies, sleeping bags, and coats to a local homeless shelter; 120 backpacks filled with supplies and over 40 Thanksgiving food bags and gift cards to a local title 9 school; and toys and gift cards to a local family crisis center, in addition to regular support at the Beacon, Habitat for Humanity, the League City Elementary food distribution. Our parish has been active in the Clear Lake area for 51 years and is looking forward to opportunities to be Good News for the world in 2017. **WE CAN DO MORE TOGETHER!** -The Rev. Mike Stone, Rector

FROM ST. MICHAEL'S EPISCOPAL CHURCH, LA MARQUE

St. Michael's community is a blessing. We are blessed when we gather together and we share this blessing with the communities around us, especially ADA House in Galveston, NAMI Gulf Coast and the Galveston Seafarer Center. We are a family size church that is hanging in there and even growing a bit. -The Rev. Bob Moore

FROM HOLY TRINITY CHURCH, DICKINSON

Holy Trinity in Dickinson, the scenic church situated among stately live oaks and its' own historic church cemetery, continues to be transformed by the Holy Spirit through its mission to "love, serve, and welcome all in the Name of Christ." Outreach to the nearby community is a primary focus, enlivening our youth and our family ministries. Nurturing both outreach and intergenerational connections are our unique missional relationships with nearby homes for adults with intellectual disabilities and financial challenges. By the grace of God guests have become integral participants in this vibrant family of faith, blessing us with new perspectives and unique gifts. Likewise, beloved traditions are being transformed as we listen for God's call and present purpose for this beautiful church by the bayou. Together the clergy, staff, and laity at Holy Trinity join hearts and hands as courageous "doers of the Word" through faithfulness to our mission, both inside and outside our red, welcoming church doors. -The Rev. Stacy B. Stringer.

FROM ST. CHRISTOPHER EPISCOPAL CHURCH, LEAGUE CITY

St. Christopher Episcopal Church in League City is called to help provide a Christian foundation for life through worship, evangelism, discipleship, ministry, outreach, and fellowship. We seek to serve others and change lives. -The Rev. Brian W. Cannaday

Stacy B. Stringer, Dean

NORTHEAST CONVOCATION

The status of the Northeast Convocation is excellent. The clergy continue with their usual meetings on the fourth Tuesdays of the month between August and November. We are always grateful for the generous hospitality of the church family at St. Matthew's in Henderson and their priest, The Rev. Pasty Barham.

Between the Novembers, 2015 and 2016, the following notable things have occurred:

- We have been working in identifying a need, and a fit, for a facilitator for our meetings, and we are still in process.
- We have had an organic list of discussion topics for us to discuss during our meetings.
- The Rev. John Carr was Ordained a Priest.
- Celebrated Christmas together at Bishop Fisher's home. Thank you for your hospitality!
- Welcomed The Rev. Michael Caldwell to the convocation as the new Associate Rector of Christ Church in Nacogdoches.
- Lisa Madry the Congregational Engagement Officer visited from The Episcopal Health Foundation.
- Welcomed The Rev. Andrew Ellison as Curate at Trinity in Marshall, and recently Ordained Priest.
- The Rev. Jane Barker, Pastoral Leader of St. John's in Center, was Ordained Transitional Deacon.
- Bishop Doyle visited our meeting.
- We and we had the Dedication of the New Diocesan Center in Tyler. It is attached to the new Chapel at the All Saint's Episcopal School in Tyler.
- Currently developing ways to get together as a convocation. The first step has been to create the <https://www.facebook.com/NortheastConvocation/> Facebook page!

I look forward to being a part of growing conversations in our convocation concerning how we can get together as Episcopalians, members of the Diocese of Texas, and the Northeast Convocation.

Mitch Tollett, Dean

NORTHWEST CONVOCATION

The Northwest Convocational Clericus continued its monthly gatherings over lunch and presentations by various clergy, diocesan representatives, and Bishops. The Rev. Justin Yawn joined the group when he answered a call to Christ Church, Temple. The Rev. Bob Tarbet entered Life Eternal in the Spring of 2016 after suffering a tragic accident. The Rev. Chuck Treadwell transitioned as rector of St. Paul's, Waco, being called as rector of St. David's, Austin. Parish Reports follow:

Holy Spirit, Waco:

In 2016, Holy Spirit Episcopal Church completed master planning, a feasibility study, and a successful capital campaign. The Church has existed for fifty-five years, and the congregation is preparing itself for another fifty-five years of ministry and beyond. Construction on Phase One of the Master Plan should begin in the summer of 2017. Holy

Spirit also fed 306 police officers, fire fighters, dispatchers, sheriff deputies, ER staff, and other first responders at our September 18 Block Party. Sixty-five percent of our average Sunday attendance turned out to volunteer. As a direct result, the Police Department scheduled a number of community engagement events in order to "pay it forward." By sharing simple hospitality, we were able to move the needle on community policing in Waco.

St. Christopher's, Killeen:

Continued "*experiencing and sharing the love of Jesus through our worship, education, fellowship and service.*" Ministry to our Fort Hood extended community grew, this year including our Veterans Fellowship groups, monthly young families and women's gatherings, and a new Daisy Scout troop, formed as a ministry of the church.

St. Christopher's continues to support 10 designated outreach ministries through tithes, our Annual Outreach Auction, and gifts gathered for each month's designated ministry. We proudly remain the home parish for Mission: Honduras in its medical, scholarship, and microfinance work and preparations. We are an Angel Tree provider, serving children of the incarcerated.

In 2016, our Preschool received accreditation from SAES. Several of our parishioners participated in Discovery retreats and others have been trained to serve on Diocesan Discernment committees. We currently enjoy students of the Seminary of the Southwest, the Iona School, and FIND. Within the parish, a group was trained to serve as facilitators for "Walking the Mourner's Path" ministry.

Building renovations continued in 2016, including the replacement of 1/3 of our lighting fixtures with energy-efficient models, and restoration of our playground and windows.

We continue as a long-term parish home to many, and a place of celebration, respite, and joy for those with us for only a short time. Thanks be to God!

St. Francis, Temple:

In an effort to make our campus more inviting to all, several things were accomplished this year. The outdoor Garden Chapel has been restored and hosted an Easter Sunrise service and a wedding. The church pews have also been restored, adding beauty and comfort to the nave. The church grounds continue to grow in beauty with a newly planted area that serves as a Monarch Butterfly way station.

New in 2016, a citywide Blessing of the Animals was held on the Saturday following The Feast of St. Francis, complete with a food truck and live music. Over 100 attended the event, with approximately one-half of that number visiting St. Francis for the first time. That evening, a dinner was held to celebrate the parish's 50-year anniversary.

Adding to Outreach initiatives, a \$3,000 grant was given to the local Women's Shelter run by *Churches Touching Lives for Christ* (CTLC).

Pre-School enrollment increased for the second straight year to a total of 93 students, with financial assistance being granted to approximately 10% of the student body.

Brad St. Romain, Dean

SAN JACINTO CONVOCATION

The clergy of the San Jacinto Convocation meet the first Wednesday of each month for worship, lunch, and fellowship. The Clericus is facilitated by Sharon Carroll. We gather for Holy Eucharist, catching up on the happenings of the last month, find

encouragement and support, and engage in conversation on topics relevant to our ministry.

We meet in several of the parishes during the year with every other month holding the meeting at Trinity, The Woodlands, which is the most central location within the convocation. On the alternating months, we travel to host churches and enjoy their hospitality and have the opportunity to see the facilities of other parishes in our Convocation. In May we took a Quiet Day retreat at Camp Allen.

Some changes within the churches of the San Jacinto Convocation in the past year (2016) include:

- St. Stephen's, Huntsville called The Rev. Kellaura Johnson as Rector
- Trinity – Rev. Sean Steele is now Parish Missioner and Rev. Vivian Orndorff became Associate Rector.
- St. Mary's – Alan Bentrup became Curate while Katie Churchwell left to become Canon for Community formation in Saint Petersburg, Florida.

Any mistake or omission to this list is the responsibility of the Dean.

Gerald Sevick, Dean

SOUTHEAST CONVOCATION

Holy Trinity, Port Neches

2015-2016 has been a quiet year-of-preparation as the rector, Vestry and staff prepare for Fr. Cliff's retirement mid-2017. All aspects of parish life and administration are being examined, revised and documented to make the search interim and the transition to new leadership smooth. We were in our third year of a Strategic Mission Grant from the Bishop Quin Foundation with emphasis on New Comer ministry. From the things we have learned so far in years one and two, we have transitioned this into an expanded New Comer-Communication focus. We were in preparation for our third Pumpkin Patch, but for reasons out of our control were notified at the last minute that we would not be receiving pumpkins. There was great disappointment in Mid-Jefferson County!!!

Under the steady and faithful leadership of the vestry, we combined our time, creativity, and money to accomplish many projects. Holy Trinity supported our local Jefferson County ministries including Port Cities Rescue Mission, Community Care-Prayer Outreach and Ubi Caritas in Beaumont. The parish also participated in the Angel Tree project during Advent with 60 gifts bought, wrapped and delivered. In addition to the above outreach projects, we offered many programs for the growth of the parish. We are trying to stay focused on our world beyond our walls. Proceeds from our annual Chili Dinners on Super Bowl Saturday supported 5 children for Camp Good News. We gave Bibles to our graduates in May. Unable to do the Pumpkin Patch, the Vestry voted to give monies from our budget to Community Care-Prayer Outreach Ministries, our local ecumenical service agency in mid-Jefferson County. The "new economic reality" of our times means that there are many people hurting and in need. Where there is great need, there is great opportunity for ministry. Holy Trinity is striving to live into our Matthew 25 mission.

St. Stephen's, Beaumont

After announcing her retirement in the spring of 2016, the Rev Nancy DeForest said farewell to St Stephen's Episcopal Church in June. The vestry leadership invited the Rev Dr. Ann Dennison Normand to serve as Interim Rector, beginning mid-July, when parishioners welcomed her with wonderful hospitality.

Entering the Search Process to seek the ordained clergy who will become the next rector of St Stephen's, the vestry elected a nine-member search committee. While the search takes place, the on-going life of the parish includes a successful financial campaign, missional community outreach and college ministry opportunities at Lamar University, worship and pastoral care ministries, and a faithful parish prayer life.

St. John's, Silsbee

St. John's started its 62nd year of ministry with and to the Silsbee community with an old-fashioned neighborhood block party. Parishioners walked the neighborhood around our campus for several weeks leading up to the event, inviting our neighbors to come. And they came! Our small visitors enjoyed climbing all over a Silsbee fire truck and ambulance, and everyone enjoyed the big bouncy slide (including a few adventuresome 70-something St. John's parishioners!). It was a great opportunity to deepen relationships with the community around us and plans are underway for our next event. During our Lenten dinner and series, we discussed Bishop Doyle's book "A Generous Community. We've continued our active support of area outreach ministries, including Meals on Wheels and the Hardin County Christian Caring Center, which feeds, clothes and provides other services to those in need. We actively participated in CCC's Angel Tree ministry to provide gifts for children in need. Our ECW and DOK have continued their active ministries in and around Silsbee. We continue to provide office space for the Samaritan Counseling Center and meeting space for 12-step groups. We were joined in September by Elizabeth Miller, a student in the Iona School in formation for the bi-vocational priesthood. Elizabeth will spend an intern year with us and has started a mid-morning weekly Bible study, which has been well attended. We give thanks for God's faithfulness to us and look forward with great anticipation to the opportunities that lay before us to spread His kingdom in and around Silsbee in 2017.

St. Stephen's, Liberty

The Episcopal Church continues to be an active presence in Liberty County and beyond as we strive to be the hands and feet of Christ to all. We have some new faces in our congregation and look forward to the bishop officially welcoming them as members of The Episcopal Church during his next visit. The past year has been an exciting and spirit-filled time for St. Stephen's, bringing new families to our doors, new ministries to bring God's love to the world, and new outreach programs to help the needy in our community. The Rector's Special Commission for Strategic Planning and Development has been hard at work on everything from improving the looks and functionality of our campus to exploring exciting new ways to bring others to Christ. The new diocesan Missioner for Missional Communities, Jason Evans is working with us to help us discover and talk about what God is up to in our midst. Our doors continue to be open to the community as various organizations and agencies utilize our parish hall as a center for training, education, community information and services, and youth activities. Our folks are friendly, our worship is beautiful and uplifting, and our love of God in Christ shines forth in the community. Our 2016 Pledge Campaign is calling each of our members as

well as all with whom we come into contact to join us on our “Journey to Generosity”, as we seek more and better ways to serve our Lord through service to His people.

St. Paul’s, Woodville

St. Paul’s, Woodville, is a small congregation serving the people of Tyler County. Our members are predominately seniors who are committed to serving God by sharing their time and talents with others in our community. Our members are active in the local food bank, at-risk women’s basic skills training, nursing home ministry, homebound food delivery, prayer support, civic organizations and ecumenical events. This year our parish hall has been used by the Texas Department of Family and Protective Services to conduct training sessions for people who are going to Foster or Adopt and for their quarterly foster parent continuing education. It has also been used by the 4-H for sewing classes, Rotary Club, The Hospital Auxiliary and other civic organizations in our area. We continue to operate a thrift shop – the Church Mouse, Two days a week (Tue. & Fri.). St. Paul’s school has been providing quality Christian education to children 3 years of age thru 5th grade for 35 years. This year there are 43 students enrolled. St. Paul’s has been without clergy since the priest resigned in May 2016. We have been blessed with wonderful, caring supply priests who travel from Houston twice a month. The lay leadership and members are committed to continuing God’s work here in East Texas.

Trinity, Jasper

Trinity Episcopal Church in Jasper, Texas continues to be a Christian voice in our neighborhood, our community, and the world. We gather each Sunday to reflect the love of God in our hearts, mind, and souls. We do this through our worship, prayer, fellowship and outreach to those in need. Tanya and I are blessed to be members of this family.

St. Paul’s, Orange, Texas

We have had another wonderful year at St. Paul’s. We have been busy with weddings and baptisms, including the baptism of triplets and a father and his son! Adult Sunday school is well attended and our Wednesday Night Evening Prayer service and book study is also going strong. A member of our congregation recently graduated from Education for Ministry (EFM) and we have two other members who will be graduating soon. We are working to establish a student ministry on campus at Lamar University. In addition, we have also reached out to nearby private elementary school to determine how we can serve those students and teachers. We continue to be focused on outreach and we have assisted and continue to assist the City of Refuge which is a homeless veterans’ shelter located in Vinton, Louisiana. These wonderful men frequently come to Orange to worship with us and we all share a meal together. We are helping them with clothes, personal items, and are also helping them with construction projects at their campus in Vinton. We continue to ship gift cards and necessities to members of our armed forces serving overseas and to provide school supplies to underprivileged children who returned to school last September.

Keith Giblin, Dean

SOUTHWEST CONVOCATION

Over the past year, the Southwest Convocation has maintained its place as a Top Ten Convocation in the diocese.

The clericus gathering of the convocation that usually meets on the fourth Thursday of the month at Calvary, Richmond provides clergy the chance for supportive

conversations about life and ministry. We have been grateful for Ms. Maureen Bacchi who has now finished a year of service with us as our facilitator.

This past year has been one of transition for the clergy in the convocation where beloved clergy have left for new ministry and new clergy have arrived to begin ministry in the convocation. On November 23, 2015, Christ Church, Eagle Lake called the Rev. Stephen Spicer as Priest-in-Charge. The Rev. Andy Parker finished his time as Rector at St. Timothy's, Lake Jackson on January 31, 2016, and transitioned to Emmanuel, Houston. The Rev. Mark Crawford began serving as Interim Rector of St. Timothy's, Lake Jackson on March 1, 2016. The Rev. Liz Parker completed her ministry as Associate Rector at St. Timothy's, Lake Jackson on March 11, 2016. The Rev. Kellaura Johnson finished her curacy at Calvary, Richmond on May 28, 2016, and began new ministry as Rector of St. Stephen's, Huntsville. The Rev. Lecia Brannon began serving as Curate at Calvary, Richmond on July 1, 2016. The Rev. Kristin Sullivan who was non-parochial but resident in the convocation began new ministry as School Chaplain at St. Mark's School, Houston on August 8, 2016. The Rev. Brad Sullivan finished his ministry as Rector of St. Mark's, Bay City on September 30, 2016 and began his new ministry as Associate Rector at Emmanuel, Houston. The Rev. Stephen Spicer transitioned to Rector of Christ Church, Eagle Lake on October 1, 2016.

Other happenings include St. Thomas', Wharton hosting on May 14, 2016, a Mental Health First Aid workshop put on by the Episcopal Health Foundation and the Rev. Paul Wehner celebrating his 15th anniversary of his ordination in August 2016.

Praise be to God for all the ministry and blessings of this past year.

John Soard, Dean

WEST HARRIS CONVOCATION

In 2016, Clericus continued to meet at Ascension Episcopal Church in Houston. In the Fall of 2016, we began a study of Bishop Doyle's *A Generous Community*. Our monthly meetings include clergy mutual support, lunch, and a discussion the chapter questions in *A Generous Community*. This will continue throughout the school year. We have also had several clergy transitions to note:

- Portia Sweet has moved from St. Andrew's to St. Christopher's.
- Carissa Baldwin-McGinnis is now the Associate at St. Andrew's
- Christy Shain-Hendricks left as Interim, Emmanuel
- Andy Parker came in as Rector, Emmanuel
- Brad Sullivan has returned to the convocational fold as Associate Rector at Emmanuel.
- Rob Dixon has transitioned from St. Martin's to the Diocese of the Central Gulf coast.
- Vaughan McTernan is fully licensed in the Diocese of Texas.
- Phillip Kochenburger became chaplain at Episcopal High School.
- Brandon Peete has expanded his role at St. Stephens and taken on more ministries at the school.
- Scott Painter has joined the St. Stephen's staff as curate.
- Alejandro Montes retired from San Mateo.
- Janssen Gutierrez came in as Rector, San Mateo.

- Eric Holloway left Santa Maria Virgen to be UT Campus missionary.

Todd Bryant, Dean

CAMP ALLEN CONFERENCE AND RETREAT CENTER

Camp Allen had over 57,000 visitors last year including over 9,000 youth. This year had many significant accomplishments including hosting over 1400 events for churches, non-profits and universities. A record number of clergy attended the fall clergy conference at camp in October. Camp Allen employs 82 full time staff.

Camp Allen launched our 100-year anniversary campaign entitled the Centennial Fund. This fund encompasses 21 projects by the year 2021. The first 8 projects are now complete. The next large project is the staff housing building in preparation for Campsite 4. The campaign has pledges of \$2.8 million to date.

The Camp Allen budget for 2016 is \$6,200,000 with a net change in assets of \$250,000 before depreciation. The summer camp program continues to grow at a record pace of 1968 campers attending one of 24 sessions. The rate for a week of camp is just over \$600. Camp Allen continues to closely survey its guests and to emphasize its theme of "Awaken Your Spirit in the Piney Woods."

George J. Dehan, President

2015 Audited Results

Revenues:

Conference Center Fees	\$3,475,214
Summer Camp Fees	945,905
Campsites and Cabins	406,198
Discovery Fees	652,699
Gift Shop Sales	154,828
Contribution/donations	402,162
Equestrian and other income	61,430

Total Revenues **\$6,098,436**

Expenses:

Conference Center	\$3,506,578
Summer Camp	1,059,492
Discovery	841,065
Campsite and cabins	312,479
Gift Shop	274,518
Equestrian expenses	124,964

Total Expenses:	\$5,844,578
Net change before depreciation	\$253,858
Depreciation	\$856,827

CHAPLAINS TO THE RETIRED

HOUSTON AREA

It is a privilege to share with the retired clergy and their spouses. The Chaplains to the Retired seek to let them know they are valued, remembered and thanked. Our retreat

for the retired, their spouses and surviving spouses was a warm success. Led by Bishop Fisher and Martha Harvey the event brought about 80 to Camp Allen. Our ministry to contact each retiree on their special days during the year continues through calls, cards and visits. We try to keep families in our ministry during times of loss. In all aspects, we are recipients of much grace from those we serve. Bishop Doyle hosted a Christmas gathering over lunch for a healthy group of retirees.

Chaplains Gary Jones and Jim Alcorn, Deans

NORTHEAST AREA

The ministry to the “Retired and Spouses” of the Episcopal Diocese of Texas is an extension of the pastoral care of the diocesan bishop. It represents the continued respect that the Diocese of Texas has for those who have served the church faithfully in their active years. Some of the retired clergy continue to serve under the supervision and authority of the bishop. The Rt. Reverend Jeff Fisher, Suffragan Bishop of Texas, coordinates this ministry in our diocese.

The Chaplains to the Retired/Spouses exercise this ministry in several ways. The principal responsibility is to maintain communication with the retired families. This ministry includes: Cards/notes on birthdays and anniversaries, pastoral visitation, transportation to doctor’s office/diocesan and clericus events, and periodic newsletters.

Because retired clergy and spouses in the Diocese of Texas have their canonical residency here and in other dioceses, it is very important to maintain current records for communication. The Church Pension Group and the Diocese of Texas work together to ensure that records are current. However, local communications are essential to “keeping up to date.” The Chaplains to the Retired and Spouses ask for everyone’s assistance in this area. Communication is vital to good pastoral care.

M.L. Agnew, Jr., Dean

COMMISSION ON SCHOOLS

Commission Goals:

It is the Canonical duty of the Commission on Schools to “publish Standards for Episcopal Schools in this Diocese, give general supervision to all such schools, and perform such other functions regarding such schools as the Bishop may require.” During the 2015-16 school year the Chairman of the Commission visited 27 schools, their Heads of School, Rectors, or Board Chairs in person. Additional phone conferences have been continuous throughout the year. The Commission stands ready to assist schools in their ministry in this Diocese and help them maintain the exemplary programs they offer in this Diocese.

The Commission thanks...

The Commission recognizes the opportunity we have to offer a warm welcome to families as they enroll their children in our exceptional schools. Some of these young children are members of their own Episcopal churches, but the majority come from other faith traditions. What an honor it is to bring these young learners into our communities where they will be immersed in new discoveries, vast educational resources, enthusiastic new friends, and the finest educational professionals ready to enrich their young lives. Episcopal schools offer not only an exemplary education to their children of all ages, but

provide environments where achievement, accountability, compassion, patience, courtesy, and even outreach enrich daily learning.

We are particularly appreciative of our clergy for whom a parish school presents a complex addition to the daily requirements of that position. Our priests listen, pray, and teach, but they also help us with times of celebration like birthdays, sad times like the loss of a grandparent, the occasional funeral for a class pet, and a family's hard times that benefit from counseling. Our priests show us how real life events offer us choices and can steer us to good results; they strengthen our spiritual lives. We thank them for sharing their time, pastoral skills, and many kindnesses with our schools.

This year the Commission has become more aware of the challenges our schools have with recruiting School Board Trustees. Since the governance of our schools depends of the skill, knowledge, and good will of our Boards, schools seek individuals with a commitment to our schools' missions, an understanding of the relationship with the parish (for parish day schools), and their own expertise in support of the future planning for the school. In parish day schools, we particularly appreciate the difficulty of recruiting board members from a parish that is electing vestry members. The Commission is seeking a collaborative solution to this dilemma.

Additionally, the Commission hopes to reach out to newly appointed Rectors who begin work in this Diocese with a parish that has or is considering starting a day school. The Commission members can bring experience and recommendations to help with this event.

School Structure:

This year we continue to have 58 schools working with the Commission. Enrollment overall again shows continued growth; this year our schools are serving 11,380 students. We have 7 schools that serve infants and 10 schools serving high schoolers, with every other school configuration in between. All of our schools but three have preschools; 33 serve only preschoolers. Episcopal schools in this Diocese currently employ over 2500 employees.

Fran Barrack, Chairman

Annual School Report Summary, 2016-17

Total Number of Schools

Preschool only:	33
Through Elementary:	4
Through Middle School:	11
Through High School:	8
High School Only:	<u>2</u>
Total	58

School Size by Enrollment:

Schools with <50 students:	8
Schools with <100:	20
Schools with <200:	15
Schools with <300:	5
Schools with >300:	10

Enrollment by Age/Grade:

Infants (<1 yr.):	90
1's:	352
2's:	923
3's:	1214
4's:	1390
5's in K:	743
5's in transitional/bridge K:	84
1 st grade:	558
2 nd grade:	539
3 rd grade:	521
4 th grade:	541
5 th grade:	550
6 th grade:	578
7 th grade:	564
8 th grade:	578
9 th grade:	531
10 th grade:	545
11 th grade:	548
12 th grade:	531
Total:	11,380

Minority Student Enrollment

(from schools that collect this data)

Students: 2644 (approx. 23%)

Episcopal Student Enrollment

(from schools that collect this data)

Students: 1597 (approx. 14%)

Number Receiving Financial Aid:

Students: 1343 (approx. 12%)

Students Identified with Special Needs:

Students: 139

Students in After School Programs:

Students: 1802

Total Number of Employees:

Employees: 2547

Summer Programs

35 schools plan summer programs/camps; the average length of programs – 7 weeks.

Location of Schools by City

Angleton	Holy Comforter	Houston	Archway Academy
Austin	All Saints		Ascension
	Good Shepherd		Cathedral House
	St. Andrew's		Emmanuel
	St. David's		Grace
	St. George's		Holy Spirit
	St. Mark's		Holy Trinity
	St. Matthew's		St. Andrew's
	St. Michael's		St. Christopher's
	St. Stephen's		St. Cuthbert's
	Trinity		St. Francis
Bastrop	Calvary		First Steps Montessori
Beaumont	All Saints		St. Mark's
Bellaire	Episcopal High		St. Martin's
Bellville	St. Mary's		St. Stephen's
College Station	St. Thomas		St. Thomas
Conroe	St. James		St. Thomas the Apostle
Crockett	The Jordan School	Killeen	St. Christopher's
Friendswood	Good Shepherd	Kingwood	Good Shepherd
Galveston	Trinity	LaGrange	St. James
Georgetown	Grace	Lindale	St. Luke's
		Longview	Trinity

ST. VINCENT'S EPISCOPAL HOUSE

St. Vincent's House on Galveston Island remains a beacon of HOPE and a place of HEALING for the underserved in our community. We continue to honor the legacy of mission begun by Mrs. Alfreda Baptiste Houston and St. Augustine of Hippo Episcopal Church in 1954.

Much of the past year has been about sustaining momentum and maintaining equilibrium as we underwent several transformative changes of 2015. Through the continued prayers and financial support of members of our Diocese and others in the wider body of Christ, we continued as a mission to the underserved and disadvantaged of Galveston County.

During the summer months, St. Vincent's House was the welcoming work site for 80 missionaries from churches in the Diocese, and outside of the Diocese including the Clear Creek Chargers football team. For their hard work, St. Vincent's itself served more than 3,600 families and homeless individuals through our Food Pantry by distributing more than 73,000 pounds of groceries during the past year. Additionally, provisions for shelter were made for 1300 homeless individuals on Galveston Island. Our transportation system completed well over 7000 rides for almost 2000 individuals and senior citizens on the Island. Best of all, our free medical clinic received more than 3200 patient visits in addition to the 3,300 visits made at our low-cost UTMB collaborative on Mondays through

Fridays. St. Vincent's House continues to offer emergency assistance and direct aide as well but now with case management. Our case management system will help us to make a greater impact in the lives of our most vulnerable neighbors.

Our annual MLK Prayer Vigil in January was a celebration of over 200 members of the Galveston community of many different religions, tribes, and tongues who gathered to remember Dr. King and his advocacy for justice, for non-violence and for the poor during his lifetime among us. Later during Juneteenth, St. Vincent's House returned to its annual Gospel-by-the-Sea event which featured jazz in addition to traditional gospel music. We are especially grateful to the members of the Diocesan community who came to Galveston Island to support and enjoy the music with us. To honor St. Vincent de Paul, our patron, St. Vincent's Day was celebrated on the 1st Saturday of October this year with the Holy Eucharist, the awarding of the Community Servants Award to 2 community members, and lots of food, music, and family fun on our campus.

Our end-of-year festivities are always exceptional for the way in which our community comes together to support us and others in supporting the elderly and families who are in great need during that time. Our Thanksgiving deliveries totaled 440 meals complete with all of the trimmings. Our Christmas celebration included a staff Santa who was present for families with children whom we had served throughout the year.

We became more intentional about assisting our clients into changed lives which has included upping the spiritual ante. During 2016, 855 individuals participated in worship services which included Holy Eucharist as well as morning, noonday, or evening prayers. All who cross our thresholds are a part of the liturgical services--- clients, staff, guests, and volunteers. We have baptized one individual and anointed for healing a client on his death bed. Through all these activities, St. Vincent's House is not just another social service agency; we believe the Gospel of Jesus Christ calls us to be agents of transformation in our neighbors' lives in Galveston County.

Because we could do nothing alone, we continue to thank God for our many partners which include our sister Episcopal churches *on and off the Island*, especially Trinity, St. George and St. Thomas the Apostle, Nassau Bay, the University of Texas Medical Branch, Family Services Center of Galveston, Catholic Charities of Galveston, Community Action Council, the St. Luke Society, the Episcopal Health Foundation, and the Galveston Ministerial Alliance.

In addition to the social services we provide to "*the least, the lost and the left out*," St. Vincent's House has played a major role in the city-wide conversations on Living Wages for the working poor as well as conversations on the place of faith, religion, spirituality in the care and support of individuals suffering with mental illness.

As the year has come to a close, the Board of Directors and leadership staff has undertaken successful strategic planning sessions to gear up for even more transformative changes in our services and programming for the coming year and beyond. At St. Vincent's House, we know that we are blessed to be a blessing and to offer HOPE and HEALING where it is most desperately needed.

Thank you, Church Family, for the variety of ways in which you support us. Please keep us in your prayers. Faithfully submitted,

Freda Marie S. Brown, Executive Director

ST. JAMES HOUSE

As was announced in early September, 2016, St. James House, Baytown (SJH), was acquired by Trust Care Management, LLC (TCM), as of October 1. While it has been difficult to leave a ministry of 55+ years, the St. James House, Baytown, Board made the best decision for the future of our residents and for our staff. This action also enables the board to look at ministering to senior adults in other parts of our diocese instead of focusing solely on the Baytown area.

Even before the sale, the SJH Board was working with a consultant, Greystone, to determine next steps in ministry to senior adults. A diocesan-wide survey was done in late August/early September, and those results are being compiled and studied.

As the SJH board winds down the last of its business, it is transitioning its work of senior ministry to the St. James House Foundation Board. The Foundation will have the proceeds from the sale of SJH and, over the next year, expects to identify and facilitate ministry to seniors across the diocese.

We are grateful to Bishop Fisher for his faithful and steady leadership throughout this process, and to Bishops Doyle and Harrison who provided their full support and cooperation. This process involved much study and much prayer, both of which will continue as we discern our future.

Pamela S. Nolting, President

SEMINARY OF THE SOUTHWEST

Seminary of the Southwest forms men and women for the service of Christ in lay or ordained ministry within the church and the larger society. The seminary's vision is to be a community for formation and leadership within the church supported by a strength of program, endowment, and environment that assures excellence in theological and pastoral education.

The following core values describe what Seminary of the Southwest stands for and believes in.

Hospitality: creating a common life that welcomes difference and ensures that all voices are heard

Mutuality: nurturing a collaborative environment that promotes mutual inquiry and accountability

Respect: cultivating the virtues of patience, justice, and charity, so as to affirm the dignity of every member of the community

Rootedness: embodying the richness of the Episcopal and Anglican traditions in particular contexts, especially that of the American Southwest and its Hispanic cultures

Celebration: glorifying and enjoying God in worship, prayer, study, service, and fellowship, so as to create a community of gratitude and gift

Conversation: listening to and critically engaging a variety of cultural and religious voices in order to commend the Christian tradition and discover fresh wisdom

The primary commitment of Seminary of the Southwest is to the students' growth in the knowledge and love of God as witnessed to in Holy Scripture, the Creeds, and in the universal and ecumenical traditions of the Church through the ages. The seminary's purpose is to foster Christian ministers who are faithful, imaginative, and skilled.

In the summer of 2016, Cynthia Briggs Kittredge began her fourth year as dean and president. The focus of Dean Kittredge's leadership is the formation of Christian leaders in community for the vitality of the church and to advance God's mission of reconciliation. She believes that critical engagement with scripture, tradition, and context, energized by imagination, and grounded in prayer is the center of formation for mission. In her role as dean and president, she continues to form students at Southwest in creative and faithful approaches to biblical studies, early Christian history, Greek reading, and the embodied practice of liturgical leadership. Dean Kittredge is the eighth dean and president of Seminary of the Southwest. She was appointed in 2013 after serving on the faculty as the Ernest J. Villavaso, Jr. Professor of New Testament and as academic dean.

The seminary offers the following degrees and diplomas:

- Master of Divinity
- Master of Arts in Religion
- Master of Arts in Chaplaincy & Pastoral Counseling
- Master of Arts in Mental Health Counseling
- Master of Arts in Spiritual Formation
- Diploma in Anglican Studies
- Diploma in Theological Studies

A total of 117 students enrolled at Seminary of the Southwest for Fall 2016. The 50 ordination track students are from the following dioceses: Alabama, Arizona, Arkansas, Central Florida, Central Gulf Coast, Chicago, Colorado, Fort Worth, Hawaii, Mississippi, Montana, North Carolina, Ohio, Oklahoma, Olympia, Rhode Island, Rio Grande, San Diego, South Carolina, Texas, West Texas, Western Missouri, and Western North Carolina. The seminary also welcomed two students from the AME Church who are preparing for ordained ministry.

Seventy-eight percent of students received institutional financial aid for tuition through the seminary's scholarship aid and work programs. Nearly all candidates for the Master of Divinity degree received 100% scholarship tuition aid and work study grants.

The faculty is made up of fifteen highly qualified, Christian scholars who hold faculty positions in Old and New Testament, Church History, Christian Theology, Christian Ethics and Moral Theology, Liturgics and Anglican Studies, Preaching, Church Music, Pastoral Theology, Counselor Education, and Latino/Hispanic Studies. The Faculty includes three administrators, the Very Rev. Cynthia Briggs Kittredge, dean and president, Dr. Scott Bader-Saye, academic dean, and the Rev. Dave Scheider, director of the Loise Henderson Wessendorff Center for Christian Ministry and Vocation. Additionally, over 12 professionals from the Austin and San Antonio areas teach adjunct in the Center.

Seminary of the Southwest is in its fifth year as partner with the Diocese of Texas and 19 other Episcopal dioceses participating in the Iona Initiative. The seminary faculty provides core theological content for the Iona Initiative students through videotaped lectures, course syllabi, study guides, and practical resources. On June 1, 2017, Seminary of the Southwest will assume full responsibility for administering the Iona Initiative program. To facilitate this transition to seminary oversight and to increase the number of dioceses participating in the Iona Initiative, Seminary of the Southwest has hired the Rev. John G. Lewis, D.Phil., as Interim Director of Formational Outreach.

The Seminary's operating activities during each of the past three fiscal years have produced revenues modestly in excess of actual expenditures in the general fund. As a

result, the Seminary has been able to make unscheduled principal reduction payments on its existing \$6.2 million debt. The seminary continues to benefit from a very low interest rate environment; the Seminary's credit facility is priced favorably. Seminary of the Southwest operates under a balanced budget thanks in part to well managed endowment, disciplined spending, careful oversight of the budget by Executive Vice President Fred Clement and the board of trustees, and a healthy annual fund which has raised in excess of \$750,000 for each of the past three years. The Seminary's investment policy statement provides an endowment spend rate of up to 6%, but due to improved enrollment, sustained sources of revenue, and a conservative plan of expenditure, the Seminary's current budget is planned on the basis of a 5.2% endowment spend rate, the lowest since the 2009 worldwide economic recession. Institutions that rely upon revenue derived from oil and gas production have lately experienced a significant decline in revenues from these sources due to falling energy prices. The Seminary is no exception; oil and gas revenues at FYE 2016 fell nearly \$400,000 below the previous year. To the extent that the Seminary relies upon revenue from its mineral interests, the seminary remains, like similarly situated institutions, vulnerable to the energy sector's performance. In 2015, the seminary completed a successful Campaign for Leadership, which raised \$16.2 million primarily for endowed faculty chairs and scholarship funds that are crucial in recruiting and retaining students. In connection with the seminary's recent development of a campus master plan, the administration commissioned an appraisal of all commercial and residential properties owned by the Seminary. As of September 2016, the appraisal reports indicate an aggregated market value at \$28.6 million. The Seminary's financial statements are audited on an annual basis; the independent external auditors have delivered unqualified opinions for each year's audit during the tenure of the current administration.

Members of the seminary's Board of Trustees joined together in 2015 to increase funds for direct scholarship aid to seminarians with the goal to alleviate the financial burden many face as they commit to their seminary education. The Trustees Scholarship Initiative has raised \$664,000 for MDiv scholarships since its inception in Fall 2014. This initiative continues as well as the dedication to increasing both endowed and outright scholarship support for all seminarians.

In 2015, the seminary received a generous multi-year grant of \$3 million from Episcopal Health Foundation (EHF) to establish the Bishop Dena A. Harrison Fellows Program. This partnership honors Bishop Harrison, chair of the seminary's Board of Trustees, for her leadership in the diocese and her role as chair of the board of St. Luke's Episcopal Health Care System in the transfer of the Health System to Catholic Health Initiatives, which resulted in over \$1 billion to create the Episcopal Health Foundation.

The goal of the Harrison Fellows Program is for Master of Arts in Clinical Mental Health Counseling (MHC) graduates from the Seminary of the Southwest to enter disadvantaged populations within the Diocese of Texas designated as underserved in regards to mental health services to offer counseling services as a Licensed Professional Counselor intern (LPC-intern). The program aspires to place faithful, imaginative, and highly-educated mental health care workers in underserved counties throughout the Diocese of Texas to expand the seminary's commitment of service to all people regardless of demographics and with an emphasis on providing for those with the greatest need. Currently, there are two 2015 graduates serving at Burke, which provides mental health services in 12

counties in East Texas. With the financial commitment from EHF, the seminary plans to build an innovative national model program that will produce exceptionally trained counselors who can begin to serve as soon as they graduate.

Additionally, the seminary's Loise Henderson Wessendorff Center for Christian Ministry and Vocation (the Center) received an anonymous gift of \$1 million to fund the accreditation of the Master of Arts in Clinical Mental Health Counseling program by CACREP, the Council for Accreditation of Counseling & Related Educational Programs. CACREP accreditation is the gold standard for counseling programs nationwide and meeting these requirements will enhance the seminary's already strong counseling program, will provide an incentive to those considering a counseling degree at the Center, and will be an added strength to the EHF partnership. The grant has allowed the hire of three full-time counseling faculty. The CACREP self-study has been reviewed and accepted by CACREP with the seminary site visit scheduled for Spring 2017. The expectation is the clinical mental health counseling program will be CACREP accredited by Spring 2017.

This fall, the seminary celebrated its annual alumni convocation with 60 participants and a nationally recognized speaker, Mr. Bryan Stevenson. Due to his significant work with the criminal justice system, the seminary moved one of Mr. Stevenson's lectures from campus to a much larger auditorium and invited the general public to attend his lecture for free. The event had over 900 people in attendance making this the largest event in the seminary's history. The seminary engaged in a partnership with the University of Texas at Austin's School of Law, the William Wayne Justice Center for Public Interest Law, and the Division of Diversity of Community Engagement to bring Mr. Stevenson to the public stage at the LBJ Library. It was met with great enthusiasm and an opportunity to greatly enhance public awareness of the good work of the seminary.

The Office of Institutional Advancement has made a concerted effort to visit with alumni across the country in order to continue building robust relationships. This year the focus has been cultivating relationships with alumni and engaging them in conversation about how the seminary can best serve them, their parish, their diocese, and their ministry.

The Annual Fund has positioned itself for sustainability with strong performances each year and with a 15% increased goal for this fiscal year. The focus will be to strengthen donor retention, grow the donor pipeline, and increase total dollars while ensuring broad based support at each level of giving. After finishing the first two quarters of the fiscal year, the seminary is pacing higher in total dollars than last year to date. With full staff and resources, the seminary has been able to produce more targeted multi-channel solicitations than last year. In addition to the robust solicitation calendar this year, the seminary has expanded and improved above the donor relations plan.

The seminary is in the process of analysis regarding a capital campaign after a thorough and complete master plan. The seminary contracted with a campaign consultant to guide us through a feasibility study which will take place in 2017.

Monday Connection is a program which is in its twenty third year with a primary goal to enhance community awareness. The program's host committee selects outside speakers to discuss how faith has influenced their work. In October, John Spong spoke to an overflowing crowd in a very touching speech. Craig Hella Johnson will speak in January 2017 and a full room of over 100 in attendance is expected.

The John Hines Society continues to be robust and with new members being added nearly every month. The society consists of friends who remember the seminary in making a provision in the estate plans.

Seminary of the Southwest is accredited by The Southern Association of Colleges and Schools Commission on Colleges and the Commission on Accrediting of the Association of Theological Schools of the United States and Canada.

An outstanding Board of Trustees chaired by the Rt. Rev. Dena Harrison, bishop suffragan, Diocese of Texas, leads the seminary. Other trustees include David T. Harvin, executive chair, Diocese of Texas; The Rev. Lisa Mason, treasurer, Diocese of West Texas; Dr. Anthony Baker, faculty representative (non-voting member), Seminary of the Southwest; Fredricka Brecht, Diocese of Texas; John Castle, Diocese of Dallas; John E. Culmer, Diocese of Texas; The Rev. Bob Dannals, PhD, Diocese of Dallas; The Rt. Rev. C. Andrew Doyle, Ex. Officio, Diocese of Texas; Suzan Fenner, Diocese of Dallas; Clarke Heidrick, Diocese of Texas; The Rt. Rev. Robert Hirschfeld, Diocese of New Hampshire; The Very Rev. Cynthia Briggs Kittredge, Ex Officio, Seminary of the Southwest; Teri Lawver, Diocese of New Jersey; The Very Rev. Justin Lindstrom, Diocese of Oklahoma; The Honorable Lora Livingston, Diocese of Texas; Neal McGowan, student representative, Seminary of the Southwest; The Rev. Patrick Miller, Diocese of Texas; The Rev. Alex Montes Vela, Diocese of Texas; Ron Ogden, Diocese of Texas; Liza W. Philpy, Diocese of West Texas; Dr. Lynwood P. Randolph, Diocese of Texas; The Rt. Rev. David Reed, Diocese of West Texas; The Rt. Rev. Gregory H. Rickel, Diocese of Olympia; The Rt. Rev. John Smylie, Diocese of Wyoming; The Very Rev. Barkley Thompson, Diocese of Texas; The Very Rev. Chadwick Vaughn, Diocese of Atlanta; Kathleen Wells, Diocese of Ft. Worth; and Lesley Wilder, Corporation Secretary (non-voting member), Seminary of the Southwest.

Details about the seminary's programs, faculty and news can be found at <http://www.ssw.edu>.

Cynthia Briggs Kittredge, Dean and President

THE UNIVERSITY OF THE SOUTH

About Sewanee

The University of the South is home to an outstanding liberal arts college, a School of Letters, and a seminary of The Episcopal Church. Located atop the Cumberland Plateau between Nashville and Chattanooga, Tenn., Sewanee's 13,000-acre campus, the second largest campus in the United States, provides vast opportunities for research, recreation, and reflection. Within the traditionally strong curriculum of humanities, sciences, and graduate theological studies, Sewanee faculty members promote intellectual growth, critical thinking, and hands-on research.

The University is leading the way in controlling the cost of a college education by continuing the four year tuition freeze for freshmen in the College of Arts and Sciences so that the cost of attending Sewanee is the same each year for four consecutive years. The tuition freeze has made the University more competitive by increasing the number of applications received and the number of students admitted. The University is accommodating this increase in enrollment by implementing the 2011 Master Plan and the 2013 Sustainability Plan, making many additions and improvements to numerous

facilities around the campus. The student body is receiving one of the top liberal arts educations in the country.

On October 10, 2016, the University launched a \$250 million fundraising campaign, called *Stronger Truer Sewanee – The Campaign for the University of the South*. It is the most ambitious campaign in the school's history. More than \$175 million (70 percent of the goal) has already been raised in the quiet phase of the campaign. The campaign aims to support four strategic goals: Ensuring access, value, and opportunity for all college and seminary students; Reinforcing academic distinction by continually building a world class faculty and creating innovative academic programs; Enriching the Sewanee Experience through new facilities and programs; and, Preparing tomorrow's church leaders through the relocation of the School of Theology to central campus, and creating new sources of financial aid and dynamic new lay programs in the Episcopal Church. You can read more at

<https://www.sewanee.edu/stronger-truer/news/stories/name-78661-en.php> .

College of Arts & Sciences

Enrollment from the Diocese of Texas: 59 students total (14 report Episcopal heritage)

Financial aid awarded to all college students from the Diocese of Texas: \$840,521.50

The School of Theology

Seminary

Enrollment from the Diocese of Texas: 2 students total (1 in the summer Advanced Degrees Program)

The Beecken Center

Education for Ministry (EfM) Groups: 33

EfM Diocesan Coordinator: Ms. Lucy M. Wagner

Annual Fund Support Received from the Diocese of Texas: \$258,000.00 (Rank – 1st)

Annual Fund Support Received from Diocese of Texas churches: \$5,000.00 (Rank – 10th [1. East Tennessee \$31,700.00])

2015–2016 Statistics for the University of the South

College of Arts and Sciences total students: 1,710 (full-time and part-time)

Class of 2019: SAT combined: 1730-1960 ACT: 26-30

High School GPA: 3.66/4.0

College tuition and fees: \$ 38,428

College faculty: 150 (Full-Time) and 56 (Part-Time)

Student/faculty ratio: 10 to 1

School of Theology students: 156 (includes summer students)

School of Theology full-time tuition and fees: \$ 16,106

School of Theology faculty: Full-Time: 10 Part-Time: 7 Student/faculty ratio: 5:1

University Fiscal Year July 1, 2015–June 30, 2016 (unaudited)

Endowment: \$378 million

Seth J. Hinkley, Dr. Michael Lewis, and the Rev. Chuck Treadwell, trustees

EPISCOPAL HIGH SCHOOL

Founded in 1983 by a group of Houston business and Episcopal Church leaders as an institution of the Diocese of Texas, Episcopal High School is an intellectual and

spiritual community committed to educating the minds and hearts of students. Through the Four Pillars – academics, arts, athletics, and religion – EHS encourages critical thinking, intellectual risk-taking, responsibility for one's own actions, personal integrity, ethical awareness, respect for diversity, and individual leadership.

For over 30 years, the School has responded to the needs and capabilities of each student, providing opportunities for growth and achievement in a Christian community that reflects the beliefs and traditions of the Episcopal Church. The School admits students of all races, colors, and national/ethnic origins to all the rights, privileges, programs, and activities accorded or made available to its students. The School does not discriminate on the basis of race, color, or national/ethnic origin in the administration of its educational admission policies, scholarship and loan programs, or athletic and other school-administered programs.

To reflect the community it serves, EHS strives to maintain a student body that represents social, economic, ethnic and academic diversity. Approximately 20% of the students receive support from the generous Financial Aid Program. The School's faculty represents diversity in age, experience, and ethnicity. The student-to-faculty ratio is roughly 15 to 1. Accredited by the Independent Schools Association of the Southwest, EHS also holds memberships in the National Association of Independent Schools, the National Association of Episcopal Schools, the Council for the Advancement and Support of Education, the Educational Records Bureau, the College Board, the National Association for College Admission Counseling, the Texas Association for College Admission Counseling, and the Southwest Preparatory Conference.

Under the leadership of Head of School Ned Smith, EHS is in its 33rd year of operation with an enrollment of 696 young men and women from 71 zip codes across the Greater Houston Metropolitan Area. After years of fundraising and building, the School has established a premier campus that harmoniously reflects its academic, artistic, athletic, and religious programs. In the 2015-16 school year, generous gifts from parents, trustees, alumni, alumni parents, grandparents, friends, and foundations raised over \$2.8 million to support the School's \$22.8 million budget. The endowment fund ended the fiscal year with a market value of \$30 million.

Members of the Class of 2016 were offered more than \$13.5 million in scholarships based on their academic, artistic, and athletic accomplishments. The students were accepted to over 179 schools around the world. 42% are attending public schools, with the remainder attending private institutions. 56% of the graduates are attending college out of state.

These graduates join over 4,000 other EHS alumni spread across the country. The EHS Alumni Association, led by a directors' council, continues to coordinate class reunions, renew friendships, and participate in fundraising activities for the School. Currently, six alumni are on staff at the School.

The religious program includes daily chapel overseen by the Rev. Philip Korchenburger, as well as a number of special services (Founders Day, Grandparents Day, Advent Chapel, Ash Wednesday, Holy Week, and monthly Eucharists). Students of all religions and faiths attended the services, roughly 23% of them identified as Episcopalians. The vast majority of students served the community after school and on weekends by participating in service projects through the Nehemiah Center, the Houston Arboretum, Challenger Football and Basketball, the Race for the Cure, and many other

social service agencies.

The athletic pillar thrived as more than 85% of students participated in one or more sports. In 2015-16, boys' soccer and girls' gold captured both the SPC championship titles, capping off another excellent year of performance for student athletes.

The EHS arts pillar also experienced a year of success. The spring musical, *Godspell* was nominated for eleven Tommy Tune awards and played to a sold-out house for all three of its performance. From the fall "Hauntcert" to the two art exhibitions and dance recitals, student artists had many opportunities to share their talents and skills with the broader community.

Currently in a master plan campaign, construction is active on campus on a new Athletic Center that will be over 60,000 square feet, which is anticipated to open in Spring 2017. As it celebrates this important milestone, EHS is already looking ahead to what the School hopes to accomplish over the next thirty years.

Peggy Haney, Director of Advancement

ST. STEPHEN'S EPISCOPAL SCHOOL

St. Stephen's Episcopal School, a coeducational boarding and day school for students in grades 6-12, is a caring and diverse community, grounded in the Christian tradition that nurtures moral growth and values the potential and dignity of every human being. The School challenges motivated students to live intelligently, creatively and humanely as contributing members of society, developing the whole person by providing rigorous academic preparation, stimulating physical activities, and rich opportunities in the fine arts.

In July, the School welcomed Christopher Gunnin as its twelfth head of school. Chris came to St. Stephen's from Trinity Valley School in Fort Worth, where he has been head of the Upper School since 2009. Prior to serving at Trinity Valley, he was head of the Upper School at St. Mark's School of Texas in Dallas, where he also was director of the Life Skills Program, an English teacher, cross country coach, and a member of the Class of 1990. The Board of Trustees selected Chris based on his experience in curriculum development and education technology. The Board is excited for his future programmatic initiatives. Chris, wife Nancy, and their three children, Ellie, Cooper, and Addie, have been warmly welcomed into the community.

Bishop Hines' founding vision of a talented and diverse student population is alive and well. The total enrollment of the School for 2016 is 686; the 179 boarding students represent 8 states, 29 cities in Texas and 14 foreign countries, bringing an unmatched diversity of race, ethnicity, and religion to our campus. Our 507 day students (194 in Middle School and 313 in Upper School) are from 37 different zip codes in the Austin area. Students of color represent approximately 28 percent of the enrollment, and approximately 40 percent when including international students. \$2.7 million in need based financial assistance was awarded to 83 students (12% of the student body). Enrollment and financial aid totals are in line with the goals and priorities set by the school's Task Force on Strategic Enrollment and approved by the Board of Trustees in October 2014.

Once again, we opened the 2016-17 school year on sound financial footing, having now balanced the operating budget for 12 years in a row. We closed out the 2015-16 school year with over \$1.3 million in gifts to the school's operating budget and an

additional \$410,650 released for Emerging Scholars financial aid. Annual Fund giving remains healthy and strong with high participation numbers from all constituencies.

The Trustees have directed the School to raise funds for the School's endowment. Over the last 10-year period, the Endowment Corporation has distributed \$3,718,460 to the School. This is an annual average of \$371,846. Over that same 10-year period, \$8.1 million in gifts have been raised for the Endowment Corporation. As of July 31, 2016, all assets of the Endowment, including pledges owed to the endowment total \$15,833,706 compared to the July 31, 2006, value of \$7,593,377—an amount that has more than doubled over the last 10 years. This fall, the school has been working with esteemed partners to define the endowment case statement. New emphasis on Planned Giving further strengthens our endowment efforts.

The Chapel is at the center of the St. Stephen's campus and experience, and includes significant opportunities for spiritual formation as well as student participation and leadership. Daily Chapel services include worship from the Episcopal tradition and an effort to celebrate our God-given diversity. On most days, prayers are offered, hymns are sung, and Holy Scripture is read with an intentional commitment to apply lessons to the school community and the larger world.

The impact of spiritual development at St. Stephen's is seen in the commitment of our students to service to their community and around the world. Our students expended more than 10,000 hours of service to non-profit organizations this past year, including volunteer work with such organizations as Any Baby Can, El Buen Samaritano Episcopal Mission, Mobile Loaves and Fishes, and the tutoring and mentoring of students in the Breakthrough Program. Students are also engaged in global outreach, the best examples of which may be service performed in Nicaragua every summer and the school's continuing support for and involvement with Ste. Etienne, an Episcopal school in Haiti. Faculty and student leaders in each division are working to focus service learning efforts on more quality projects that enable students to engage in meaningful service and reflect on their experience. In some cases, this has meant reducing the total number of hours, but enhancing the specific projects so that students not only serve, but learn about societal issues and innovative solutions in the process.

The School continues to furnish its students with outstanding academic preparation. Last year, its students' mean SAT scores equaled 1913 (621 Critical Reading, 662 Math, and 630 Writing), and the average ACT Composite score was 27.7. The 126 graduating seniors enrolled at 76 different colleges and universities, and 22 percent of the School's graduating seniors were recognized as National Merit Semi-Finalists, National Hispanic Scholars, or National Merit Commended students.

The 2016–17 school year is off to a great start and we are optimistic about the future of St. Stephen's Episcopal School as it works to produce graduates who possess sharp minds, humble and serving hearts, and strong spirits.

Ellen Osborne Ray, Executive Chair

EL BUEN SAMARITANO

El Buen Samaritano is an outreach ministry of the Episcopal Diocese of Texas committed to helping Latino and other families in Central Texas lead healthy, productive and secure lives through high-quality and affordable healthcare, education and financial security services.

We strive to improve the emotional, physical and spiritual health and wellbeing of our community through the provision of culturally appropriate, comprehensive, family-focused and patient-centered healthcare. We model our approach knowing that a person's literacy, employment status and physical environment have a profound impact on individual health and quality of life. For example, to successfully manage a disease such as diabetes, you must know how to read and write, learn how to cook healthy, nutritious meals and understand your medical treatment plan. Unlike other healthcare settings, El Buen provides all these services and much more, on our beautiful 11-acre campus.

Highlights of our impact in 2015 include:

Improving Health: Provided medical care to 5,239 patients across 14,436 appointments

- 12,261 primary care visits
- 2,175 mental health visits

Creating Opportunities: Provided educational opportunities to 842 adults and youth

- English as a Second Language
- Computer Literacy
- Adult Basic Education in Spanish
- Afterschool tutoring and enrichment
- Summer Camp

Fostering Community: Provided food and nutrition assistance to 1,353 households, serving a total of 4,616 individuals

Strengthening Families: Provided health education classes to 2,015 participants

- Prenatal Health
- Diabetes Empowerment Education Program
- Teen Sex Education

We look forward to continuing our ministry to serve and strengthen families. On behalf of our board, staff, and community, please accept our gratitude for the support the Diocese of Texas generously provides.

Iliana Gilman, CEO

EPISCOPAL CHURCH WOMEN

The Diocesan Episcopal Church Women have had another fruitful year spreading the Gospel of Jesus Christ. Much of our focus has been on bringing spiritual growth opportunities and workshops to the women within the Diocese. One day events were held in Austin, Gilmer, Waco, College Station, Houston, and Friendswood. The Diocesan ECW also participated in a retreat for the Anglican Church Women of the Bahamas that was sponsored by Hope Church in Houston, September 16-18.

We also hosted 103 ladies at our 115th Annual Retreat held at Camp Allen, October 14-16. St. James', Houston was the host church for the event. The women from St. James' chose the theme "Jesus Is a Girl's Best Friend" for the retreat. With seven different workshops to choose from participants were able to engage in activities that each uniquely called them to be closer to God or to engage in some type of service to the greater community. Each year the host church chooses a local charity as their outreach project for the retreat. This year's recipient was Lord of the Streets. Toiletries, gift cards,

and cash were collected to benefit this ministry. Retreat participants also learned how to make Plarn (plastic yarn) from plastic bags and crochet the Plarn into mats that will be distributed by Lord of the Streets. One of the workshops also highlighted the Diocesan ECW's Outreach Project, Days for Girls. Days for Girls is an international ministry to provide sustainable hygiene kits for young women who would otherwise miss many days of school due to not having sanitary napkins. The Diocesan Board encourages each local women's group to learn how to make these sustainable hygiene kits and then donate them where they see the need. More information, including patterns and instructions for the kits, can be found at www.daysforgirls.org. During the retreat we also recognized 22 ladies that had been nominated for our Honored Women program. What a joy it is to celebrate such wonderful women who have enriched their Parish with their ministries.

Each year the Diocesan ECW awards educational grants to women within the Diocese. This year we awarded \$14,000 in Vera Gang Scott Scholarships to nine young women. We also donated \$500 to St. James', Austin, on behalf of Sarah Watkins in support of Sarah attending the United Nations Conference on Women in New York City representing the Episcopal Church. The Diocesan ECW also hosted an ECW exhibitor's booth at the 167th Diocesan Council at the Woodlands.

As always, I am grateful for the women that serve so faithfully on the Diocesan ECW Board and to all the churches who pay their Fair Share to support our mission.

Lisa Martin, President