

# **J O U R N A L**

**One Hundred Sixty-ninth**

**ANNUAL COUNCIL**

**The Episcopal Diocese of Texas**

**Volume I**

**Waco Convention Center**

**Waco, Texas**

**February 15 – 17, 2018**

## THE 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**

## **FROM THE 168TH COUNCIL**

### **UNFINISHED BUSINESS & CERTIFICATION OF MINUTES**

I certify that there are no items of unfinished business remaining from the 168th Annual Council of the Episcopal Diocese of Texas. I also certify that the minutes (as contained in Volume II, *Journal of the 168th Council*) are a true and accurate account of the proceedings of that Council.

John A. Logan, Jr., Secretary

### **REGULAR COMMITTEES FOR THE 169TH COUNCIL (2018)**

#### **CONSTITUTION & CANONS**

Maria Boyce, St. Martin's, Houston (Chair)

Sam Griffin, St. Cyprian's, Lufkin

The Rev. Lillian Hyde, Retired EDOT Clergy, Dickinson

The Rev. Nancy Ricketts, St. Michael's, Austin

Ex-officio: David Harvin, St. Martin's, Houston (Chancellor)

#### **COUNCIL MANAGEMENT**

Mary Cloud, Trinity, Houston (Diocesan Council Coordinator)

Susan Duif, Trinity, Galveston

The Rev. Chad Martin, St. Martin's, Houston

Seth Hinkley, Christ Church Cathedral, Houston

The Rev. Canon Kai M. Ryan, Diocese of Texas, Houston (Chair)

Tammy Tiner, St. Thomas', College Station

Rob Montgomery, St. Thomas', College Station

Ex-officio: David Harvin, St. Martin's, Houston (Chancellor)

Ex-officio: The Rev. William "Bill" Fowler, St. Mark's, Austin (Chair for Dispatch of Business)

#### **DISPATCH OF BUSINESS**

Oliver Chapin-Eiserloh, St. David's, Austin

The Rev. William "Bill" Fowler, St. Mark's, Austin (Chair)

Terry Nathan, St. David's, Austin

Roger Smith, St. Thomas', College Station

Tammy Tiner, St. Thomas', College Station

#### **NOMINATIONS**

Standing Committee Representative: The Rev. Hannah Atkins

Executive Board Representative: Betsy Sullivan

Ex-officio: Mike Tomsu, Vice Chancellor

Greg Caudell, St. Andrew's, Houston

Elizabeth Ann Gates, Good Shepherd, Austin (resigned)

The Rev. Aaron Zimmerman, St. Alban's, Waco  
Cindy Angle, St. Mary's, Cypress  
Mark Browning, St. Andrew's, Bryan  
The Rev. Eileen O'Brien, Episcopal Canterbury, Houston  
Flint Risien, St. Paul's, Katy  
The Rev. David Sugeno, Trinity, Marble Falls  
The Rev. Hannah Atkins, Trinity, Houston (Chair)  
Molly Carnes, St. Mary's, Cypress  
The Rev. Paulette Magnuson, St. Martin's, Copperas Cove  
Clark "Corky" Moore, St. Mark's, Beaumont  
The Rev. Bertie Pearson, Grace, Georgetown  
The Rev. Terry Pierce, St. James', Taylor

## **RESOLUTIONS**

The Rev. James "Jimmy" Grace, St. Andrew's, Houston  
The Rev. Susan Kennard, Trinity, Galveston (Chair)  
Trey Yarbrough, Christ Church, Tyler  
Andrew "Andy" Wisely, St. Alban's, Waco

## **SUPERVISORS AND TELLERS**

Linda Gray, St. Francis, Tyler  
The Rev. J. Dean Lawrence, St. Francis', College Station (Chair)  
Lu McCann, Christ Church, Cedar Park  
The Rev. Jason Ingalls, Holy Spirit, Waco

## **STANDING COMMITTEES OF THE COUNCIL**

*Pre-Council Report of the*  
**COMMITTEE FOR CONSTITUTION & CANONS**  
*to the 169th Council*

(Type of Proposal)	(No. of Proposals)
A - Constitutional proposals, 2nd reading:	2
B - Constitutional proposals, 1st reading:	3
C - Canonical proposals:	5

### **A. CONSTITUTIONAL AMENDMENTS**

**(Presented for second reading requiring 2/3rds majority approval from each Order)**

## 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 SECOND 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

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.

- (a) 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.
- (b) 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 SECOND READING.

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

#### **Article 1** **AUTHORITY**

##### **EXISTING:**

###### Section 1.1 Accedes to General Constitution and Canons

The Church in the Diocese shall, and does hereby accede to the Constitution and Canons of the Protestant Episcopal Church in the United States of America, and acknowledges its authority.

###### Section 1.2 Authority in Diocese

The authority of the Church in this Diocese is vested in the Bishop, a Council, and a Standing Committee.

###### Section 1.3 Authority in Absence of Bishop

If the office of Bishop be vacant, the Ecclesiastical Authority of the Diocese for all purposes in the administration of the affairs of the Diocese under the Constitution and Canons is vested in the Standing Committee.

**PROPOSED:**

Section 1.1 Accedes to General Constitution and Canons

The Church in the Diocese shall, and does hereby accede to the Constitution and Canons of the Protestant Episcopal Church in the United States of America, and acknowledges its authority.

Section 1.2 Authority in Diocese

The authority of the Church in this Diocese is vested in the Bishop Diocesan, a Council, and a Standing Committee.

Section 1.3 Authority in Absence of Bishop Diocesan

If the office of Bishop Diocesan be vacant, the Ecclesiastical Authority of the Diocese for all purposes in the administration of the affairs of the Diocese under the Constitution and Canons is vested in the Standing Committee.

**IF AMENDED:**

Section 1.1 Accedes to General Constitution and Canons

The Church in the Diocese shall, and does hereby accede to the Constitution and Canons of the Protestant Episcopal Church in the United States of America, and acknowledges its authority.

Section 1.2 Authority in Diocese

The authority of the Church in this Diocese is vested in the Bishop Diocesan, a Council, and a Standing Committee.

Section 1.3 Authority in Absence of Bishop Diocesan

If the office of Bishop Diocesan be vacant, the Ecclesiastical Authority of the Diocese for all purposes in the administration of the affairs of the Diocese under the Constitution and Canons is vested in the Standing Committee.

**SUBMITTED BY:** The Executive Board

**RATIONALE** (by the Executive Board): This proposed change clarifies that the authority of the Church lies specifically in the office of the Bishop Diocesan.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

Article 1  
**THE COUNCIL**

**EXISTING:**

Section 2.1 Membership of the Council

The voting membership of the Council of this Diocese shall consist of the following:

- (a) The Bishop, when there is one, who shall be *ex-officio* President of the Council, and of the Bishop Coadjutor if there be one, and of the Bishops Suffragan, if there be such; and they shall be entitled to all privileges and

membership in the Council.

- (b) All Members of the Clergy, canonically resident in the Diocese, whose letters dimissory have been accepted by the Ecclesiastical Authority of this Diocese, or who have been ordained within this Diocese and who have not, in contemplation of removal from this Diocese, applied for letters dimissory.
- (c) Lay Delegates chosen by and representing the several Parishes and Missions of this Diocese, which may, in accordance with the Constitution and Canons of the Diocese, be entitled to such representation.
- (d) Lay Delegates representing College Chaplaincies of this Diocese. "College Chaplaincies" shall mean those colleges and universities, and any branch thereof, in which the work of the Episcopal Church is approved by the Bishop for such representation.
- (e) Pastoral Leaders who have been placed in charge of a Parish or an Organized Mission, or Lay Chaplains who have been placed in charge of a College Chaplaincy, of the Diocese by the Bishop.
- (f) Lay delegates representing the Youth Ministry of the Diocese. The Youth Ministry of the Diocese shall mean those communicants in good standing of a Parish or Organized Mission of the Diocese who are at least 11 years of age and no older than 18 years of age.

## Section 2.2 Lay Representation in Council

Each Parish in union with the Council shall be entitled to representation therein by four Lay Delegates, and each College Chaplaincy in union with the Council shall be entitled to one Lay Delegate. Lay representation for each Mission in union with the Council shall be based on the Mission's Average Sunday Attendance reported in the Journal of the previous year's Council: Each Mission reporting up to 200 shall be entitled to one Lay Delegate; each Mission reporting between 201 and 400 shall be entitled to two Lay Delegates; and each Mission reporting 401 or more shall be entitled to three Lay Delegates. The Youth Ministry of the Diocese shall be entitled to one Lay Delegate from each convocation within the Diocese. Delegates from Parishes and Missions shall be elected by the congregation, or by the Vestry or Bishop's Committee, as the case may be, which may, at the same time, choose an equal number of alternates. In the event that, of those elected, less than the number permitted is able to attend the Council, the Rector or Priest in Charge is authorized, and is hereby obligated, to make such selections as may ensure a full representation in the Council. Lay Delegates from the College Chaplaincies shall be appointed by the Bishop, after consultation with the Chaplain, if there be one. Upon being seated by the Council, those so selected shall have the same standing as those elected. Lay Delegates from the Youth Ministry of the Diocese shall be appointed by the Bishop after consultation with the appropriate youth missioner.

## Section 2.3 Qualifications of Delegates

All Lay Delegates representing Parishes and Organized Missions shall be

confirmed communicants in good standing of the Parish or Mission they represent, at least 18 years of age, and shall possess such other qualifications as may be required by Canon. All Lay Delegates from the College Chaplaincies shall be confirmed communicants in good standing of a Parish or Organized Mission of the Episcopal Church, registered students at the institution they represent, at least 18 years of age, and shall possess such other qualifications as may be required by Canon. All Lay Vicars in charge of an Organized Mission, or Lay Chaplains in charge of a College Chaplaincy must be confirmed communicants in good standing of a Parish or Organized Mission of the Diocese and placed in charge of the institution they represent by the Bishop. All Lay Delegates from the Youth Ministry of the Diocese shall be confirmed communicants in good standing of a Parish or Organized Mission of the Diocese in the particular convocation they represent, at least 14 years of age, and shall possess such other qualifications as may be required by Canon.

### **PROPOSED:**

#### Section 2.1 Membership of the Council

The voting membership of the Council of this Diocese shall consist of the following:

- (a) The Bishop, when there is one, who shall be *ex-officio* President of the Council, and of the Bishop Coadjutor if there be one, and of the Bishops Suffragan, if there be such; and they shall be entitled to all privileges and membership in the Council.
- (b) All Members of the Clergy, canonically resident in the Diocese, whose letters dimissory have been accepted by the Ecclesiastical Authority of this Diocese, or who have been ordained within this Diocese and who have not, in contemplation of removal from this Diocese, applied for letters dimissory.
- (c) Lay Delegates chosen by and representing the several Parishes and Missions of this Diocese, which may, in accordance with the Constitution and Canons of the Diocese, be entitled to such representation.
- (d) Lay Delegates representing ~~College Chaplaincies~~Campus Ministries of this Diocese. "~~College Chaplaincies~~Campus Ministries" shall mean those colleges and universities, and any branch thereof, in which the work of the Episcopal Church is approved by the Bishop for such representation.
- (e) Pastoral Leaders who have been placed in charge of a Parish or an Organized Mission, or Lay ~~Chaplains~~Missioners who have been placed in charge of a ~~College Chaplaincies~~Campus Ministry, of the Diocese by the Bishop.
- (f) Lay delegates representing the Youth Ministry of the Diocese. The Youth Ministry of the Diocese shall mean those communicants in good standing of a Parish or Organized Mission of the Diocese who are at least 11 years of age and no older than 18 years of age.

## Section 2.2 Lay Representation in Council

Each Parish in union with the Council shall be entitled to representation therein by four Lay Delegates, and each ~~College Chaplaincy~~Campus Ministry in union with the Council shall be entitled to one Lay Delegate. Lay representation for each Mission in union with the Council shall be based on the Mission's Average Sunday Attendance reported in the Journal of the previous year's Council: Each Mission reporting up to 200 shall be entitled to one Lay Delegate; each Mission reporting between 201 and 400 shall be entitled to two Lay Delegates; and each Mission reporting 401 or more shall be entitled to three Lay Delegates. The Youth Ministry of the Diocese shall be entitled to one Lay Delegate from each convocation within the Diocese. Delegates from Parishes and Missions shall be elected by the congregation, or by the Vestry or Bishop's Committee, as the case may be, which may, at the same time, choose an equal number of alternates. In the event that, of those elected, less than the number permitted is able to attend the Council, the Rector or Priest in Charge is authorized, and is hereby obligated, to make such selections as may ensure a full representation in the Council. Lay Delegates from the ~~College Chaplaincies~~Campus Ministries shall be appointed by the Bishop, after consultation with the ~~Chaplain~~Campus Missioner, if there be one. Upon being seated by the Council, those so selected shall have the same standing as those elected. Lay Delegates from the Youth Ministry of the Diocese shall be appointed by the Bishop after consultation with the appropriate youth missioner.

## Section 2.3 Qualifications of Delegates

All Lay Delegates representing Parishes and Organized Missions shall be confirmed communicants in good standing of the Parish or Mission they represent, at least 18 years of age, and shall possess such other qualifications as may be required by Canon. All Lay Delegates from the ~~College Chaplaincies~~Campus Ministry shall be confirmed communicants in good standing of a Parish or Organized Mission of the Episcopal Church, registered students at the institution they represent, at least 18 years of age, and shall possess such other qualifications as may be required by Canon. All ~~Vicars~~Pastoral Leaders in charge of an Organized Mission, or Lay ~~Chaplains~~Missioners in charge of a ~~College Chaplaincy~~Campus Ministry must be confirmed communicants in good standing of a Parish or Organized Mission of the Diocese and placed in charge of the institution they represent by the Bishop. All Lay Delegates from the Youth Ministry of the Diocese shall be confirmed communicants in good standing of a Parish or Organized Mission of the Diocese in the particular convocation they represent, at least 14 years of age, and shall possess such other qualifications as may be required by Canon.

## **IF AMENDED:**

## Section 2.1 Membership of the Council

The voting membership of the Council of this Diocese shall consist of the following:

- (a) The Bishop, when there is one, who shall be ex-officio President of the Council, and of the Bishop Coadjutor if there be one, and of the Bishops Suffragan, if there be such; and they shall be entitled to all privileges and membership in the Council.
- (b) All Members of the Clergy, canonically resident in the Diocese, whose letters dimissory have been accepted by the Ecclesiastical Authority of this

Diocese, or who have been ordained within this Diocese and who have not, in contemplation of removal from this Diocese, applied for letters dimissory.

- (c) Lay Delegates chosen by and representing the several Parishes and Missions of this Diocese, which may, in accordance with the Constitution and Canons of the Diocese, be entitled to such representation.
- (d) Lay Delegates representing Campus Ministries of this Diocese. "Campus Ministries" shall mean those colleges and universities, and any branch thereof, in which the work of the Episcopal Church is approved by the Bishop for such representation.
- (e) Pastoral Leaders who have been placed in charge of a Parish or an Organized Mission, or Lay Missioners who have been placed in charge of a Campus Ministry, of the Diocese by the Bishop.
- (f) Lay delegates representing the Youth Ministry of the Diocese. The Youth Ministry of the Diocese shall mean those communicants in good standing of a Parish or Organized Mission of the Diocese who are at least 11 years of age and no older than 18 years of age.

## Section 2.2 Lay Representation in Council

Each Parish in union with the Council shall be entitled to representation therein by four Lay Delegates, and each Campus Ministry in union with the Council shall be entitled to one Lay Delegate. Lay representation for each Mission in union with the Council shall be based on the Mission's Average Sunday Attendance reported in the Journal of the previous year's Council: Each Mission reporting up to 200 shall be entitled to one Lay Delegate; each Mission reporting between 201 and 400 shall be entitled to two Lay Delegates; and each Mission reporting 401 or more shall be entitled to three Lay Delegates. The Youth Ministry of the Diocese shall be entitled to one Lay Delegate from each convocation within the Diocese. Delegates from Parishes and Missions shall be elected by the congregation, or by the Vestry or Bishop's Committee, as the case may be, which may, at the same time, choose an equal number of alternates. In the event that, of those elected, less than the number permitted is able to attend the Council, the Rector or Priest in Charge is authorized, and is hereby obligated, to make such selections as may ensure a full representation in the Council. Lay Delegates from the Campus Ministries shall be appointed by the Bishop, after consultation with the Campus Missioner, if there be one. Upon being seated by the Council, those so selected shall have the same standing as those elected. Lay Delegates from the Youth Ministry of the Diocese shall be appointed by the Bishop after consultation with the appropriate youth missioner.

## Section 2.3 Qualifications of Delegates

All Lay Delegates representing Parishes and Organized Missions shall be confirmed communicants in good standing of the Parish or Mission they represent, at least 18 years of age, and shall possess such other qualifications as may be required by Canon. All Lay Delegates from the Campus Ministry shall be confirmed communicants in good standing of a Parish or Organized Mission of the Episcopal Church, registered students at the

institution they represent, at least 18 years of age, and shall possess such other qualifications as may be required by Canon. All Pastoral Leaders in charge of an Organized Mission, or Lay Missioners in charge of a Campus Ministry must be confirmed communicants in good standing of a Parish or Organized Mission of the Diocese and placed in charge of the institution they represent by the Bishop. All Lay Delegates from the Youth Ministry of the Diocese shall be confirmed communicants in good standing of a Parish or Organized Mission of the Diocese in the particular convocation they represent, at least 14 years of age, and shall possess such other qualifications as may be required by Canon.

**SUBMITTED BY:** The Executive Board

**RATIONALE** (by the Executive Board): In sections 2.1, 2.2 and 2.3, College Chaplaincy, Chaplains (in relation to campus ministry), and Lay Vicar are all archaic terms no longer in use in the Diocese. The replacement terms align these sections with the terminology used in the Diocese.

**THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.**

#### Article 4 **OFFICERS AND ELECTIONS**

##### **EXISTING:**

###### 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.

##### **PROPOSED:**

###### 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~~Clerical Deputies and the four ~~lay delegates~~Lay Deputies so elected shall also serve as delegates to the Provincial Synod preceding General Convention.

**IF AMENDED:**

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 Deputies so elected shall also serve as delegates to the Provincial Synod preceding General Convention.

**SUBMITTED BY:** The Executive Board

**RATIONALE** (by the Executive Board): In Section 4.6(d), the term “Delegates” is changed to “Deputies” and the references to Clerical and Lay Deputies is capitalized to make the language of this section consistent with prior sections.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

## C. CANONICAL AMENDMENTS

### EXISTING:

### **TITLE III PARISHES, MISSIONS, AND SCHOOLS**

#### **Canon 1 PARISHES AND MISSIONS**

##### 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.

- (a) By not less than twenty-five confirmed communicants residing in any place in the Diocese, where there is not an organized Parish, and not less than ten of whom shall be at least 11 years of age.
- (b) Notice shall be given to the Bishop, but if there be no Bishop, then to the President of the Standing Committee, of the intention thus to associate and organize. Said notice shall be in writing and shall contain such information as will enable the Bishop to pass upon the propriety of the act, and such notice shall be signed by the persons proposing to organize a Parish.
- (c) The notice shall be substantially as follows:

“We, whose names are hereunto affixed, earnestly desiring to promote the holy influence of the Christian religion in our hearts, and those of our families and neighbors, do hereby associate ourselves under the name of

\_\_\_\_\_ in communion with the Protestant Episcopal Church in the United States of America and the Diocese of Texas, the authority of whose Constitution and Canons we do hereby recognize and to whose Liturgy and mode of worship and discipline we promise conformity.

We further certify our ability to maintain the regular services of a Minister without assistance from the Diocese, or from any other Parish, and to this end we pledge ourselves to raise annually not less than the sum of \_\_\_\_\_ dollars for the salary of the Rector.”

- (d) The Bishop, if the Bishop shall approve the notice, or in the Bishop's absence, the Standing Committee if they approve, shall give a certificate to

that effect, which approval shall be transmitted to the Secretary of the Diocese with the papers upon which the certificate of approval was granted. Such approval shall be a condition precedent to the admission of the Parish into union with the Council of the Diocese.

(e) As soon as the Bishop or Standing Committee, if there be a vacancy in the Episcopate, gives approval, the parties signing the notice of intention to organize shall meet and enter into Articles of Association as follows:

#### ARTICLES OF ASSOCIATION

"We whose names are hereunto subscribed, desiring to enjoy the privileges of religious worship and instruction according to the forms and doctrines of the Protestant Episcopal Church in the United States of America, have this \_\_\_\_\_ day of \_\_\_\_\_, A. D. \_\_\_\_\_, at \_\_\_\_\_, in the State of Texas, formed ourselves into a congregation and adopted the following Articles of Association:

Article 1. This congregation shall be known by the name of Rector, Wardens, and Vestry of Church.

Article 2. This congregation acknowledges, accedes to, and adopts the Doctrines, Discipline, and Worship of the Protestant Episcopal Church in the United States, and the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas.

Article 3. When any person uniting with this congregation shall disclaim or refuse conformity to the authorities mentioned in the preceding article, that person shall cease to be a member of this congregation.

Article 4. In the election of a Rector of

\_\_\_\_\_ Church, the Vestry shall have due regard for the wishes of the Communicants of the Church, but no election is to be had until the name of the person selected or desired has been made known to the Bishop by the Wardens of the Church, and sufficient time been given the Bishop to communicate with the Wardens and Vestry.

Article 5. The annual rents, contributions, and other revenues raised by this congregation from time to time shall be applied by the Wardens and Vestry to the maintenance and support of the Rector or Minister and to such other objects as are connected with the well-being of the Church and to no other purposes whatever.

Article 6. In the case of the dissolution of this congregation for any cause whatever, the lands, tenements, and other estates, real or personal, if such there be, shall vest in the Corporation known in law as the 'Protestant Episcopal Church Council of the Diocese of Texas,'

to be held in trust by said corporation for the benefit of any future congregation of the Protestant Episcopal Church which may be formed in this place or its vicinity, upon the same principles as the present congregation."

(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.

## Section 1.2 Parochial Missions

Missions may be organized by any Parish, with the consent of the Bishop, by the Rector of the Parish or under the Rector's supervision, and such Mission shall be governed by such officers, and under such rules and regulations as may be satisfactory to the Rector of the Parish; but no such Mission shall be admitted into union with the Council, or be entitled to any allowance from the Executive Board of the Diocese without the consent of the Rector of the Parish and its Vestry.

## Section 1.3 Missions Petitioning to Become Parishes

Any Mission organized under the provisions of Title III.5 may petition the Council to be admitted as a Parish, at such time as it is capable of meeting all the financial obligations of a Parish, as well as its Assessments.

## Section 1.4 Remitting Parishes to Missions

(a) Whenever the Rector, Wardens, and Vestry, or if there be no Rector, the Wardens and Vestry of an existing Parish, shall unite in a petition to the Bishop, asking that such Parish shall be remitted to the position of an organized Mission, stating fully the grounds for such petition, the Bishop may, in the Bishop's discretion, grant or refuse said petition and the Bishop's action thereon shall be recorded with said petition in the minutes of the said Parish, and by the Bishop reported at the next Annual Council.

(b) If the Wardens and Vestry of any Parish shall fail for a period of six months without just cause to elect a Rector, such Parish shall be considered dormant, and the Bishop, with the advice and consent of the Standing Committee, may remit such Parish to the position of an Organized Mission, and such action shall be reported by the Bishop to the next Annual Council.

## Section 1.5 Suspending Parishes or Missions

(a) Suspending Parishes or Missions from the right of representation in the Council of the Diocese shall be effected according to Article 6 of the

Constitution. The suspension or dissolution of a Parish or Organized Mission must be in accordance with Article 6 of the Constitution.

- (b) Any Parish failing in three years out of the five years next preceding any Annual Council to elect a Vestry, to pay its assessments as assessed by the Council, to make the reports required by Canons, or to provide for the services of a Minister at least quarterly, shall lose voice and vote in the Council until the Council, by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine; and upon a like failure for five consecutive years, shall be dropped from the roll of Parishes and remitted to the missionary field, unless the Council by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine. Any Parish failing for one year to comply with the terms of its organization may, at the discretion of the Bishop, be declared by the Bishop to cease to exist as a Parish and to thereby become a Mission of the Diocese, and such action by the Bishop shall be reported by the Bishop to the next Annual Council for record.
- (c) Any Mission failing for two years to comply with the terms of its organization shall be suspended from union with the Council, subject to restoration by a two-thirds vote of the Council, and upon a like failure for three years, it forfeits its organization.

## 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.

## PROPOSED:

### **Title III** **PARISHES, MISSIONS, CONGREGATIONS, COMMUNITIES, AND SCHOOLS**

#### **Canon 1** **PARISHES AND MISSIONS CONGREGATIONS AND COMMUNITIES**

## 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.

- (a) By not less than twenty-five confirmed communicants residing in any place in

the Diocese, where there is not an organized Parish, and not less than ten of whom shall be at least 11 years of age.

(b) Notice shall be given to the Bishop, but if there be no Bishop, then to the President of the Standing Committee, of the intention thus to associate and organize. Said notice shall be in writing and shall contain such information as will enable the Bishop to pass upon the propriety of the act, and such notice shall be signed by the persons proposing to organize a Parish.

(c) The notice shall be substantially as follows:

"We, whose names are hereunto affixed, earnestly desiring to promote the holy influence of the Christian religion in our hearts, and those of our families and neighbors, do hereby associate ourselves under the name of \_\_ in communion with the Protestant Episcopal Church in the United States of America and the Diocese of Texas, the authority of whose Constitution and Canons we do hereby recognize and to whose Liturgy and mode of worship and discipline we promise conformity.

We further certify our ability to maintain the regular services of a Minister without assistance from the Diocese, or from any other Parish, and to this end we pledge ourselves to raise annually not less than the sum of \_\_ dollars for the salary of the Rector."

(d) The Bishop, if the Bishop shall approve the notice, or in the Bishop's absence, the Standing Committee if they approve, shall give a certificate to that effect, which approval shall be transmitted to the Secretary of the Diocese with the papers upon which the certificate of approval was granted. Such approval shall be a condition precedent to the admission of the Parish into union with the Council of the Diocese.

(e) As soon as the Bishop or Standing Committee, if there be a vacancy in the Episcopate, gives approval, the parties signing the notice of intention to organize shall meet and enter into Articles of Association as follows:

#### ARTICLES OF ASSOCIATION

"We whose names are hereunto subscribed, desiring to enjoy the privileges of religious worship and instruction according to the forms and doctrines of the Protestant Episcopal Church in the United States of America, have this

\_\_\_\_\_ day of \_\_\_\_\_, A. D. \_\_\_\_\_, at \_\_\_\_\_, in the State of Texas, formed ourselves into a congregation and adopted the following Articles of Association:

Article 1. This congregation shall be known by the name of Rector, Wardens, and Vestry of Church.

Article 2. This congregation acknowledges, accedes to, and adopts the Doctrines, Discipline, and Worship of the Protestant Episcopal Church in the United States, and the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas.

Article 3. When any person uniting with this congregation shall disclaim or refuse conformity to the authorities mentioned in the preceding article, that person shall cease to be a member of this congregation.

Article 4. In the election of a Rector of \_\_\_\_\_ Church, the Vestry shall have due regard for the wishes of the Communicants of the Church, but no election is to be had until the name of the person selected or desired has been made known to the Bishop by the Wardens of the Church, and sufficient time been given the Bishop to communicate with the Wardens and Vestry.

Article 5. The annual rents, contributions, and other revenues raised by this congregation from time to time shall be applied by the Wardens and Vestry to the maintenance and support of the Rector or Minister and to such other objects as are connected with the well-being of the Church and to no other purposes whatever.

Article 6. In the case of the dissolution of this congregation for any cause whatever, the lands, tenements, and other estates, real or personal, if such there be, shall vest in the Corporation known in law as the 'Protestant Episcopal Church Council of the Diocese of Texas,' to be held in trust by said corporation for the benefit of any future congregation of the Protestant Episcopal Church which may be formed in this place or its vicinity, upon the same principles as the present congregation."

(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.

## **Section 1.2 Parochial Missions**

Missions may be organized by any Parish, with the consent of the Bishop, by the Rector of the Parish or under the Rector's supervision, and such Mission shall be governed by such officers, and under such rules and regulations as may be satisfactory to the Rector of the Parish; but no such Mission shall be admitted into union with the Council, or be entitled to any allowance from the Executive Board of the Diocese without the consent of the Rector of the Parish and its Vestry.

## Section 1.3 Episcopal Missional Communities

(a) An Episcopal Missional Community may be established beyond the walls and membership of a Congregation. An Episcopal Missional Community shall organize under the auspices of a Head of Congregation. The Bishop shall report to each annual Council the number of Episcopal Missional Communities existing in the Diocese, their location, and the means provided for their oversight.

(b) Episcopal Missional Communities do not have voice and vote at Annual Diocesan Council unless members are elected to council as delegates from the sponsoring congregation. Members of an Episcopal Missional Community may exercise all rights of membership in the sponsoring congregation if they are qualified as members under the Canons of the

## Diocese.

### Section 1.4 Episcopal Fellowships

In any place where there is not a Parish or organized Mission, and where the establishment of a Mission does not appear feasible, an Episcopal Fellowship may be established by the Bishop, or in the absence of the Bishop, by the Standing Committee, upon such terms, conditions, and limitations and with such provision for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Episcopal Fellowships existing, their location, the means provided for their maintenance, and the terms, conditions, and limitations of their existence. Upon recommendation of the Bishop and with approval of the Council, each Episcopal Fellowship shall be entitled to one Lay Delegate to any meeting of Council and may be seated with voice, but without vote.

### Section 1.5 Special Evangelical Missions

At the request of one or more sponsoring parishes, the Bishop, or in the absence of the Bishop, the Standing Committee may establish a Special Evangelical Mission upon such terms, conditions, and limitations, and with such provisions for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Special Evangelical Missions existing, their location and sponsors, the nature of their ministries and the needs being met, the means provided for their maintenance, and the terms, conditions, and limitations of their existence.

### Section 1.31.6 Missions Petitioning to Become Parishes

Any Mission organized under the provisions of Title III.5 may petition the Council to be admitted as a Parish, at such time as it is capable of meeting all the financial obligations of a Parish, as well as its Assessments.

### Section 1.41.7 Remitting Parishes to Missions

- (a) Whenever the Rector, Wardens, and Vestry, or if there be no Rector, the Wardens and Vestry of an existing Parish, shall unite in a petition to the Bishop, asking that such Parish shall be remitted to the position of an organized Mission, stating fully the grounds for such petition, the Bishop may, in the Bishop's discretion, grant or refuse said petition and the Bishop's action thereon shall be recorded with said petition in the minutes of the said Parish, and by the Bishop reported at the next Annual Council.
- (b) If the Wardens and Vestry of any Parish shall fail for a period of six months without just cause to elect a Rector, such Parish shall be considered dormant, and the Bishop, with the advice and consent of the Standing Committee, may remit such Parish to the position of an Organized Mission, and such action shall be reported by the Bishop to the next Annual Council.

### Section 1.51.8 Suspending Parishes or Missions

- (a) Suspending Parishes or Missions from the right of representation in the Council of the Diocese shall be effected according to Article 6 of the Constitution. The suspension or dissolution of a Parish or Organized Mission must be in accordance with Article 6 of the Constitution.

- (b) Any Parish failing in three years out of the five years next preceding any Annual Council to elect a Vestry, to pay its assessments as assessed by the Council, to make the reports required by Canons, or to provide for the services of a Minister at least quarterly, shall lose voice and vote in the Council until the Council, by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine; and upon a like failure for five consecutive years, shall be dropped from the roll of Parishes and remitted to the missionary field, unless the Council by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine. Any Parish failing for one year to comply with the terms of its organization may, at the discretion of the Bishop, be declared by the Bishop to cease to exist as a Parish and to thereby become a Mission of the Diocese, and such action by the Bishop shall be reported by the Bishop to the next Annual Council for record.
- (c) Any Mission failing for two years to comply with the terms of its organization shall be suspended from union with the Council, subject to restoration by a two-thirds vote of the Council, and upon a like failure for three years, it forfeits its organization.

#### Section 1.61.9      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:

### **Title III CONGREGATIONS, COMMUNITIES, AND SCHOOLS**

#### **Canon 1 CONGREGATIONS AND COMMUNITIES**

#### **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.

- (g) By not less than twenty-five confirmed communicants residing in any place in the Diocese, where there is not an organized Parish, and not less than ten of whom shall be at least 11 years of age.

(h) Notice shall be given to the Bishop, but if there be no Bishop, then to the President of the Standing Committee, of the intention thus to associate and organize. Said notice shall be in writing and shall contain such information as will enable the Bishop to pass upon the propriety of the act, and such notice shall be signed by the persons proposing to organize a Parish.

(i) The notice shall be substantially as follows:

"We, whose names are hereunto affixed, earnestly desiring to promote the holy influence of the Christian religion in our hearts, and those of our families and neighbors, do hereby associate ourselves under the name of    in communion with the Protestant Episcopal Church in the United States of America and the Diocese of Texas, the authority of whose Constitution and Canons we do hereby recognize and to whose Liturgy and mode of worship and discipline we promise conformity.

We further certify our ability to maintain the regular services of a Minister without assistance from the Diocese, or from any other Parish, and to this end we pledge ourselves to raise annually not less than the sum of    dollars for the salary of the Rector."

(j) The Bishop, if the Bishop shall approve the notice, or in the Bishop's absence, the Standing Committee if they approve, shall give a certificate to that effect, which approval shall be transmitted to the Secretary of the Diocese with the papers upon which the certificate of approval was granted. Such approval shall be a condition precedent to the admission of the Parish into union with the Council of the Diocese.

(k) As soon as the Bishop or Standing Committee, if there be a vacancy in the Episcopate, gives approval, the parties signing the notice of intention to organize shall meet and enter into Articles of Association as follows:

#### ARTICLES OF ASSOCIATION

"We whose names are hereunto subscribed, desiring to enjoy the privileges of religious worship and instruction according to the forms and doctrines of the Protestant Episcopal Church in the United States of America, have this

\_\_\_\_\_ day of \_\_\_\_\_, A. D. \_\_\_\_\_, at \_\_\_\_\_, in the State of Texas, formed ourselves into a congregation and adopted the following Articles of Association:

Article 1. This congregation shall be known by the name of Rector, Wardens, and Vestry of Church.

Article 2. This congregation acknowledges, accedes to, and adopts the Doctrines, Discipline, and Worship of the Protestant Episcopal Church in the United States, and the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas.

Article 3. When any person uniting with this congregation shall disclaim or refuse conformity to the authorities mentioned in the preceding article, that person shall cease to be a member of this congregation.

Article 4. In the election of a Rector of \_\_\_\_\_ Church, the Vestry shall have due regard for the wishes of the Communicants of the Church, but no election is to be had until the name

of the person selected or desired has been made known to the Bishop by the Wardens of the Church, and sufficient time been given the Bishop to communicate with the Wardens and Vestry.

Article 5. The annual rents, contributions, and other revenues raised by this congregation from time to time shall be applied by the Wardens and Vestry to the maintenance and support of the Rector or Minister and to such other objects as are connected with the well-being of the Church and to no other purposes whatever.

Article 6. In the case of the dissolution of this congregation for any cause whatever, the lands, tenements, and other estates, real or personal, if such there be, shall vest in the Corporation known in law as the 'Protestant Episcopal Church Council of the Diocese of Texas,' to be held in trust by said corporation for the benefit of any future congregation of the Protestant Episcopal Church which may be formed in this place or its vicinity, upon the same principles as the present congregation."

(I) 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.

## Section 1.2 Parochial Missions

Missions may be organized by any Parish, with the consent of the Bishop, by the Rector of the Parish or under the Rector's supervision, and such Mission shall be governed by such officers, and under such rules and regulations as may be satisfactory to the Rector of the Parish; but no such Mission shall be admitted into union with the Council, or be entitled to any allowance from the Executive Board of the Diocese without the consent of the Rector of the Parish and its Vestry.

## Section 1.3 Episcopal Missional Communities

(a) An Episcopal Missional Community may be established beyond the walls and membership of a Congregation. An Episcopal Missional Community shall organize under the auspices of a Head of Congregation. The Bishop shall report to each annual Council the number of Episcopal Missional Communities existing in the Diocese, their location, and the means provided for their oversight.

(b) Episcopal Missional Communities do not have voice and vote at Annual Diocesan Council unless members are elected to council as delegates from the sponsoring congregation. Members of an Episcopal Missional Community may exercise all rights of membership in the sponsoring congregation if they are qualified as members under the Canons of the Diocese.

## Section 1.4 Episcopal Fellowships

In any place where there is not a Parish or organized Mission, and where the establishment of a Mission does not appear feasible, an Episcopal Fellowship may be established by the Bishop, or in the absence of the Bishop, by the Standing Committee, upon such terms, conditions, and limitations and with such provision for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Episcopal Fellowships existing, their location, the means provided for their maintenance, and the terms, conditions, and limitations of their existence. Upon recommendation of the Bishop and with approval of the Council, each Episcopal Fellowship shall be entitled to one Lay Delegate to any meeting of Council and may be seated with voice, but without vote.

## Section 1.5 Special Evangelical Missions

At the request of one or more sponsoring parishes, the Bishop, or in the absence of the Bishop, the Standing Committee may establish a Special Evangelical Mission upon such terms, conditions, and limitations, and with such provisions for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Special Evangelical Missions existing, their location and sponsors, the nature of their ministries and the needs being met, the means provided for their maintenance, and the terms, conditions, and limitations of their existence.

## Section 1.6 Missions Petitioning to Become Parishes

Any Mission organized under the provisions of Title III.5 may petition the Council to be admitted as a Parish, at such time as it is capable of meeting all the financial obligations of a Parish, as well as its Assessments.

## Section 1.7 Remitting Parishes to Missions

- (a) Whenever the Rector, Wardens, and Vestry, or if there be no Rector, the Wardens and Vestry of an existing Parish, shall unite in a petition to the Bishop, asking that such Parish shall be remitted to the position of an organized Mission, stating fully the grounds for such petition, the Bishop may, in the Bishop's discretion, grant or refuse said petition and the Bishop's action thereon shall be recorded with said petition in the minutes of the said Parish, and by the Bishop reported at the next Annual Council.
- (b) If the Wardens and Vestry of any Parish shall fail for a period of six months without just cause to elect a Rector, such Parish shall be considered dormant, and the Bishop, with the advice and consent of the Standing Committee, may remit such Parish to the position of an Organized Mission, and such action shall be reported by the Bishop to the next Annual Council.

## Section 1.8 Suspending Parishes or Missions

- (a) Suspending Parishes or Missions from the right of representation in the Council of the Diocese shall be effected according to Article 6 of the Constitution. The suspension or dissolution of a Parish or Organized Mission must be in accordance with Article 6 of the Constitution.
- (b) Any Parish failing in three years out of the five years next preceding any Annual Council to elect a Vestry, to pay its assessments as assessed by the

Council, to make the reports required by Canons, or to provide for the services of a Minister at least quarterly, shall lose voice and vote in the Council until the Council, by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine; and upon a like failure for five consecutive years, shall be dropped from the roll of Parishes and remitted to the missionary field, unless the Council by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine. Any Parish failing for one year to comply with the terms of its organization may, at the discretion of the Bishop, be declared by the Bishop to cease to exist as a Parish and to thereby become a Mission of the Diocese, and such action by the Bishop shall be reported by the Bishop to the next Annual Council for record.

(c) Any Mission failing for two years to comply with the terms of its organization shall be suspended from union with the Council, subject to restoration by a two-thirds vote of the Council, and upon a like failure for three years, it forfeits its organization.

#### Section 1.9 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): The proposed name changes to Title III and Canon 1 more accurately reflects the contents that follow if the subsequent proposed changes are adopted by Diocesan Council.

The proposed addition of Section 1.3 provides for the Diocesan vision of creating communities beyond the walls and membership of traditional communities.

New Sections 1.4 and 1.5 are formerly Title III, Canon 5, Sections 5.11 and 5.12, respectively. It is proposed that these sections be moved to Title III, Canon 1, in order to group all special categories of non-parish/mission communities together. The remaining sections in Title III, Canon 1, are re-numbered to incorporate the new sections if adopted by Diocesan Council.

**THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.**

**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 be worthy of the House of God.

**PROPOSED:**

Section 3.1 Care and Use of Church Building

The Wardens shall have a care that the Church building(s), ~~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.~~

**IF AMENDED:**

Section 3.1 Care and Use of Church Building

The Wardens shall have a care that the Church building(s) 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.

**SUBMITTED BY:** The Executive Board

**RATIONALE** (by the Executive Board): This proposal removes the language banning the use of congregation buildings and property for secular uses. It is common practice for congregation buildings to host those in their surrounding community to engage with them. This proposal removes “as be worthy of the house of God” as archaic language no longer in use in the Diocese.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

**Canon 5**  
**DIOCESAN MISSIONS**

**EXISTING:**

Section 5.11 Episcopal Fellowships

In any place where there is not a Parish or organized Mission, and where the

establishment of a Mission does not appear feasible, an Episcopal Fellowship may be established by the Bishop, or in the absence of the Bishop, by the Standing Committee, upon such terms, conditions, and limitations and with such provision for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Episcopal Fellowships existing, their location, the means provided for their maintenance, and the terms, conditions, and limitations of their existence. Upon recommendation of the Bishop and with approval of the Council, each Episcopal Fellowship shall be entitled to one Lay Delegate to any meeting of Council and may be seated with voice, but without vote.

#### Section 5.12 Special Evangelical Missions

At the request of one or more sponsoring parishes, the Bishop, or in the absence of the Bishop, the Standing Committee may establish a Special Evangelical Mission upon such terms, conditions, and limitations, and with such provisions for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Special Evangelical Missions existing, their location and sponsors, the nature of their ministries and the needs being met, the means provided for their maintenance, and the terms, conditions, and limitations of their existence.

#### **PROPOSED:**

#### Section 5.11 Episcopal Fellowships

~~In any place where there is not a Parish or organized Mission, and where the establishment of a Mission does not appear feasible, an Episcopal Fellowship may be established by the Bishop, or in the absence of the Bishop, by the Standing Committee, upon such terms, conditions, and limitations and with such provision for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Episcopal Fellowships existing, their location, the means provided for their maintenance, and the terms, conditions, and limitations of their existence. Upon recommendation of the Bishop and with approval of the Council, each Episcopal Fellowship shall be entitled to one Lay Delegate to any meeting of Council and may be seated with voice, but without vote.~~

#### Section 5.12 Special Evangelical Missions

~~At the request of one or more sponsoring parishes, the Bishop, or in the absence of the Bishop, the Standing Committee may establish a Special Evangelical Mission upon such terms, conditions, and limitations, and with such provisions for its maintenance as the Bishop or the Standing Committee, as applicable, shall prescribe. The Bishop shall report to each annual Council the number of Special Evangelical Missions existing, their location and sponsors, the nature of their ministries and the needs being met, the means provided for their maintenance, and the terms, conditions, and limitations of their existence.~~

#### **IF AMENDED:**

Sections 5.11 and 5.12 are deleted from Title III, Canon 5.

**SUBMITTED BY:** The Executive Board

**RATIONALE** (by the Executive Board): It is proposed that sections 5.11 and 5.12 be moved to Title III, Canon 1, as new sections 1.4 and 1.5, respectively. This change places all types of special congregations in the same Canon.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

## **TITLE V ENDOWMENTS, INSTITUTIONS, AND FOUNDATIONS**

### **Canon 6 THE EPISCOPAL HIGH SCHOOL**

#### **EXISTING:**

##### **Section 6.3 Elections – Vacancies**

The elective membership of the Board of Trustees shall consist of 24 persons elected by the Annual Council on nomination of the Bishop. At all times, no less than two thirds (2/3) of the elected Trustees shall be confirmed communicants in good standing of the Episcopal Church in the Diocese of Texas. All members of the Board of Trustees shall be at least 18 years of age. The first Board of Trustees shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council 1/4 of the elected members shall be elected to serve four years, 1/4 of the elected members shall be elected to serve three years, 1/4 of the elected members shall be elected to serve two years, and 1/4 of the elected members shall be elected to serve one year. At each Annual Council thereafter, 1/4 of the elected members shall be elected for full terms, which begin at the June meeting of the Board of Trustees following Annual Council. Such members so elected shall hold office for the stated term and until their successors are elected and qualified. After completion of a four-year term, persons may not be renominated for a full term for at least one year, which limitation shall not apply to persons completing unexpired terms. Any vacancy occurring in the Board may be filled by the Board until the next Annual Council, at which time a Trustee shall be elected on nomination of the Bishop to serve the unexpired term.

#### **PROPOSED:**

##### **Section 6.3 Elections – Vacancies**

The elective membership of the Board of Trustees shall consist of 24 persons elected by the Annual Council on nomination of the Bishop. At all times, no less than ~~two-thirds (2/3)~~sixty (60) percent of the elected Trustees shall be confirmed communicants in good standing of the Episcopal Church in the Diocese of Texas. All members of the Board of Trustees shall be at least 18 years of age. The first Board of Trustees shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council 1/4 of the elected members shall be elected to serve four years, 1/4 of the elected members shall be elected to serve three years, 1/4 of the elected members shall be elected to serve two years, and 1/4 of the elected members shall be elected to serve one year. At each Annual Council thereafter, 1/4 of the elected members shall be elected for

full terms, which begin at the June meeting of the Board of Trustees following Annual Council. Such members so elected shall hold office for the stated term and until their successors are elected and qualified. After completion of a four-year term, persons may not be renominated for a full term for at least one year, which limitation shall not apply to persons completing unexpired terms. Any vacancy occurring in the Board may be filled by the Board until the next Annual Council, at which time a Trustee shall be elected on nomination of the Bishop to serve the unexpired term.

**IF AMENDED:**

Section 6.3 Elections – Vacancies

The elective membership of the Board of Trustees shall consist of 24 persons elected by the Annual Council on nomination of the Bishop. At all times, no less than sixty (60) percent of the elected Trustees shall be confirmed communicants in good standing of the Episcopal Church in the Diocese of Texas. All members of the Board of Trustees shall be at least 18 years of age. The first Board of Trustees shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council 1/4 of the elected members shall be elected to serve four years, 1/4 of the elected members shall be elected to serve three years, 1/4 of the elected members shall be elected to serve two years, and 1/4 of the elected members shall be elected to serve one year. At each Annual Council thereafter, 1/4 of the elected members shall be elected for full terms, which begin at the June meeting of the Board of Trustees following Annual Council. Such members so elected shall hold office for the stated term and until their successors are elected and qualified. After completion of a four-year term, persons may not be renominated for a full term for at least one year, which limitation shall not apply to persons completing unexpired terms. Any vacancy occurring in the Board may be filled by the Board until the next Annual

**SUBMITTED BY:** The Executive Board

**RATIONALE** (by the Executive Board): The EDOT Commission on Episcopal Schools handbook calls for 60% of the Board to be confirmed communicants in the Episcopal Church. This proposed change aligns Title V, Canon 6, Section 6.3 with current practice and allows the Diocese and parishes to maintain both oversight and an Episcopal identity without being overly burdensome.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

**PREAMBLE**

**EXISTING:**

No preamble to the Constitution and Canons exists at this time.

**PROPOSED PREAMBLE TO THE CONSTITUTION AND CANONS OF THE EPISCOPAL CHURCH IN THE DIOCESE OF TEXAS:**

The Episcopal Church in the Diocese of Texas, a member of The Episcopal Church, and thereby a member of the Anglican Communion, is part of the One, Holy, Catholic, and Apostolic Church established by our Lord and Savior Jesus Christ. Being obedient to the

Gospel of Jesus Christ, the purposes of the Diocesan Constitution and Canons, as amended in Diocesan Council, are to support the mission of this Diocese, to promote the good order of its ministry through its congregations and institutions, and to be responsive, compassionate and loving to all people within this Diocese and throughout the world.

**SUBMITTED BY:** The Executive Board

**RATIONALE** (by the Executive Board): The Diocesan Constitution and Canons do not currently have a preamble. This proposed preamble states that the purpose of the entire Constitution and Canons is to serve the mission of this Diocese.

**THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.**

Maria Boyce, Chair

## **COMMITTEE ON NOMINATIONS**

Nominations received and approved as of 11/15:

Secretary of the Diocese: The Rev. Canon John Logan  
Treasurer: Linda Mitchell Riley

Standing Committee (clergy, need to elect 1):

1. Genevieve Razim, Christ Church Cathedral
2. Brad Sullivan, Emmanuel, Houston
3. Mitchell Tollet, St. Francis, Tyler
4. Lisa Hunt, St. Stephen's, Houston

Standing Committee (Lay, need to elect 1):

1. Ed Ziegler, Holy Comforter, Spring
2. Amber Zenti, Calvary, Richmond

Executive Board (Clergy, need to elect 2):

1. Ashley Cook, Episcopal Missioner, Stephen F. Austin
2. Pam Graham, Vicar, St. Thomas, Rockdale
3. Justin Yawn, Christ Episcopal Church, Temple
4. Daryl Hay, St. Andrew's, Bryan
5. Pedro Lopez, St. Peter's/San Pablo, Houston

Executive Board (Lay, need to elect 3):

1. Sandra Ward, St. John's, Austin
2. Rob Endter, St. Martin's Copperas Cove
3. Carvel Glen, St. Stephen's, Houston
4. Fay Jones, St. John's, Austin
5. Flint Risien, St. Paul's, Katy
6. DeAnna Bosch, St. Andrew's, Houston (materials submitted late)
7. Rhonda Fanning, St. Martin's, Houston (waiting on materials)

Trustee of the Church Corporation (Lay or clergy, elect 1)

1. David Harvin, St. Martin's

Trustee of the University of the South (Lay, elect 1)

1. Seth Hinkley, Christ Church Cathedral
2. Trish Houser, Trinity, Houston

Hannah Atkins, Chair

## **COMMITTEE ON RESOLUTIONS**

The Committee received one resolution for consideration at the 169<sup>th</sup> Council of the Episcopal Diocese of Texas:

### **Resolution: Election of Bishop Suffragan**

WHEREAS the Bishop Diocesan has called for the election of a Bishop Suffragan to be held during the 170th Council of the Diocese of Texas tentatively scheduled to begin on the 7th day of February 2019, in the Woodlands, Texas;

AND WHEREAS we are one Church reconciled by Jesus Christ, empowered by the Holy Spirit;

AND WHEREAS in each of our particular settings, we are called to connect people, build healthy partnerships for mission, and support vital networks between institutions and congregations;

AND WHEREAS the new Bishop Suffragan will be the vision bearer and have pastoral oversight for the congregations in the western part of this diocese, residing in Austin, and is also elected for the whole Church and the Anglican Communion;

AND WHEREAS the Bishop Suffragan will visit congregations across the diocese and will be active on a number of boards that Bishop Diocesan will assign;

AND WHEREAS the Standing Committee has approved a process for identifying and nominating suitable candidates, and appointed chairs for the search and nominating committees;

AND WHEREAS the Bishop Diocesan has prepared a written consent with a description of the role and duties of the Bishop Suffragan for the western region;<sup>1</sup>

AND WHEREAS this Council has been assured that the funds required for the search, nomination, and election process are available in the 2018 and 2019 budgets;

AND WHEREAS this Council has been assured that the funds required for the salary and expenses of the Bishop Suffragan are available in the future budgets;

AND WHEREAS copies of the Bishop Diocesan's written consent and an outline of the Standing Committee's approved search and nomination process have been published to Council members and discussed at pre-Council meetings;

BE IT RESOLVED that this 169th Council of the Diocese of Texas meeting in Waco, Texas approve the Standing Committee's process for the search for and nomination of candidates for Bishop Suffragan;

AND BE IT RESOLVED that the Committees for Council Management and Dispatch of Business allot time during the 170th Council for the election of the Bishop Suffragan.

Rationale

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<sup>1</sup> This is the canonical requirement. Canon III.11.9(b)(3)

Given the retirement in 2019 of The Rt. Rev. Dena Harrison, the Standing Committee of the Diocese of Texas in collaboration with the Bishop Diocesan, The Rt. Rev. C. Andrew Doyle proposes the resolution for the election of a Suffragan for the western region so that our mission and ministry as a diocese may continue without interruption.

The Resolutions Committee recommends adoption.

### **Courtesy Resolutions of the 169th 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 143-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 169th 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 169th Council of the Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Very Rev. Foster Mays, President of the Council of Trustees 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in, Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. David Reed, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, 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 20 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 169th 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 Robert Vickery, Jr., Mark Crawford, David Dearman, Elizabeth Turner, and J. Clifford Rucker 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 2017; 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 169th 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, Alice Kerr, Mary MacGregor, Stephanie Taylor, and Shirley Platt have faithfully served the Episcopal Diocese of Texas through their ministries; and

WHEREAS, as members of the Diocesan Staff they retired during the year 2017; 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 169th 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 Waco, 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 169th 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 ex officio; Seth Hinkley, The Rev. Ken Fields, Susan Duif, Tammy Tiner, and Rob Montgomery.

Susan Kennard, Chair

## REPORTS OF BISHOPS, GENERAL CONVENTION AND SYNOD

### REPORT OF BISHOP DENA A. HARRISON

This has been a year of activity in many areas. One of the things I enjoy most about my work is the variety; it includes planning, thinking, worshipping, praying, feeling, relating, rejoicing, grieving – the whole gamut of experience as we work together in faithfulness to God's call.

Our staff and mission reorganization has proven very fruitful as we continue to learn to focus together on our goals, each person taking his or her small piece of a large picture, working together to achieve the things we believe God is calling us to do. I am particularly grateful for the work of Canons Ryan and Newton, who keep us on track and help us to focus in the right places.

One of the highlights and blessings of this year has been the calling of The Rt. Rev. Hector Monterroso, Bishop of Costa Rica, as Bishop Assisting in the diocese. Bishop Hector is a bishop of extraordinary vision as well as practical abilities. His vision for mission as we saw it in Costa Rica is aligned with that of the diocese, and his personal grace is a joy as well. I know that all of the members of the diocese will enjoy coming to know him.

Thank you to all the members of the diocese for your prayers this year as I underwent bi-lateral knee replacements. The recovery was tough, and your prayers, cards, and calls sustained us! I am now fully recovered and enjoying all the benefits promised by this surgery. (Larry is still recovering from his nursing role!)

Although I missed the March meeting of the House of Bishops for continued physical therapy, Larry and I attended the September meeting in Fairbanks, Alaska. This was truly a transformative experience as we met Alaska Episcopalians in their village settings, learned about the importance of the land for their survival and culture, and experienced their gracious and sacrificial hospitality.

Our Province VII bishops met in Oklahoma this year and discussed various topics, including preparation for General Convention 2018. We are going to convene the province electronically for the first time this year.

In July, I had the joy of attending the consecration of The Rt. Rev. Jennifer Brooke-Davidson, Bishop Suffragan of the Diocese of West Texas and the first woman elected to the episcopate by that diocese. After eleven years, it is wonderful no longer to be the only woman bishop in Province VII!

I continue to serve on the Disciplinary Board for Bishops, and unfortunately we were required to work this year. It is always a sad duty to do this work, but the health of the Church and the reconciliation of its members to God, to one another and to the world are the goals toward which we work.

In preparation for General Convention 2018, I am serving on the Joint Committee for Nominations.

This is my final year (after about ten!) on the Steering Committee for the Gathering of Leaders. Founded about eleven years ago by Bishop Payne and others to provide peer learning for younger clergy in missionary leadership, it sponsors four conferences per year. Although leaving the Steering Committee, I will still be a fan. I attended one of the conferences this year and continue to be inspired and delighted by the focus on mission exhibited by our younger clergy across the country.

One of the groups for whom I am grateful is our retired clergy and spouses. They provide so much leadership and so much wisdom for all of us and are gracious and generous with their support. It was fun to gather for a Thanksgiving lunch this year with a

number of them in the Austin area.

I was honored to be invited to participate in October in mentoring clergywomen through the Women Embodying Executive Leadership (WEEL) initiative sponsored by Trinity, Wall Street. I was the bishop-in-residence for a cohort of this program meeting in Cincinnati. It was so gratifying to see the gifts and graces being offered to the church by these women. It was also so sad to see that many of the prejudices originally faced by clergywomen are still with us in various forms. These women inspired me and humbled me in my own ministry.

Along with the other bishops of the diocese, I participate in the Bishops Against Gun Violence ministry. As we endured another year of shootings around the country, our work continues to be important. This group will be present at General Convention, and I encourage you to visit their booth and participate in the activities they will offer.

As a member of our Executive Board's Governance Committee, I've been part of their continuing work to refine our Constitution and Canons. This is a multi-year process because it is an effort to conduct a comprehensive review to assure that our canons support the mission to which we are called. Mr. David Todd from St. Richard's, Round Rock has provided dedicated leadership for this complicated work.

The World Mission Board works in a number of areas. It makes grants around the world for Sustainable Development Goals, it makes local grants for congregational world mission work, and it supports the work of our companion dioceses (Southern Malawi, North Dakota, and Costa Rica). The Rev. Meredith Holt provides leadership for this very capable group. Episcopal oversight for this ministry will be transitioned to Bishop Fisher this year.

Our Commission on Ministry continues to work hard to raise up all orders of ministry in the diocese. We are indebted to The Rev. Francene Young and The Rev. Deacon Victoria Mason for their hard work in administering our Discovery Retreats and Regional Discernment Committees.

As are the other bishops, I am charged with leadership of several diocesan institutions; in Austin, these are El Buen Samaritano, St. Stephen's Episcopal School, and the Seminary of the Southwest.

This has been both a banner year and a year of turmoil for El Buen Samaritano. The population we serve is largely Latino, many of whom are undocumented, and the fear in which they are living is making it more difficult to deliver the services which they need so desperately.

"El Buen" achieved a very significant goal this year as it was awarded accreditation as a Patient Centered Medical Home. This testifies to the high level of care provided by the Wallace Mallory Clinic and allows the Clinic to receive reimbursement in the Medicaid and Medicare systems.

El Buen also received the coveted Bank of America Neighborhood Builder Award. Quoting from the award: *El Buen Samaritano is a high-performing non-profit that contributes to Austin's community growth and vitality by addressing issues fundamental to economic mobility. As part of their award, they will receive executive leadership development and \$200,000 in flexible funding. They will join a network of peer organizations across the U.S. and have the opportunity to access capital in order to expand their impact in the Austin community.*

The "El Grito Gala" celebrated El Buen's 30<sup>th</sup> anniversary with a rousing gathering. The year concluded with the publication of a new strategic plan after the completion of the previous five-year plan.

CEO Iliana Gilman leads a dedicated and talented staff in these achievements. Ms.

Vickie Blumhagan of St. Matthew's, Austin, is the Executive Chair of a devoted board. Together with our community partners, they have made these achievements possible. Congratulations!

St. Stephen's Episcopal School continues to be a highly-sought-after day and boarding community in Austin. In addition to academic excellence, its particular combination of international boarding students and day students creates a rich environment for learning to form community in the midst of difference.

Head of School Mr. Chris Gunnin is following his very successful first year with another year of solid leadership. Led by Ms. JoLynn Free of All Saints', Austin, St. Stephen's is in the midst of constructing a new strategic plan after completing its previous plan. It has also received its ten-year reaccreditation from the Southwestern Association of Episcopal Schools. Ms. Beth Ozmun leads the board as Executive Chair.

Seminary of the Southwest continues to be recognized for excellence in theological education, being named this year as one of the "Seminaries That Change the World" by The Center for Faith and Service based in Chicago.

This year also saw the announcement of two programs which serve the needs expressed by the church. Bishop Carl Wright, Bishop Suffragan for Federal Ministries, attended the launch of the seminary's new Military Chaplaincy concentration in the Master of Divinity degree. The pilot Iona Initiative has become the Iona Collaborative, based at SSW and including 21 dioceses at this point. The program was originally an outreach of our own Iona School for Ministry.

Ably led by Dean Cynthia Kittredge, the seminary has completed a needs assessment in preparation for a capital campaign. This campaign will further position the seminary to meet the ongoing needs of an evolving church.

With the advent of Hurricane Harvey, we have experienced loss and sadness on a scale we have not seen before. Many new skills and competencies are being required of us. At the time of publication, we are interviewing for a Project Manager to lead a very long-term recovery process.

Please note the many contributions to our efforts being made by the Episcopal Health Foundation. Through their training in Asset Based Community Development they are equipping congregations to engage communities for long-term transformation. Through their research, they are providing the highest quality data about the needs of those communities in formats which will guide our work as we develop our Harvey recovery ministry in cooperation with Episcopal Relief and Development.

It remains my privilege to work with Bishops Doyle, Fisher and Monterroso and all the staff and congregations. You inspire me daily in our common work and are my delight.

The year 2018 will bring new opportunities and experiences as we host General Convention in Austin. I am grateful to The Rev. Jeff Fisher and Ms. Hallie Ortiz for co-chairing our preparation and participation. Please plan to volunteer or to visit the convention to see The Episcopal Church at work.

This year will also be a bittersweet time for me as the last year of my active ministry. I will retire on December 31, 2018. I look forward to a year rich with friendships and shared ministry.

Dena A. Harrison, Bishop Suffragan

## REPORT OF BISHOP JEFF W. FISHER

It is my joy to serve as one of your bishops. Bishop Doyle, Bishop Harrison, and I have enjoyed adding Bishop Monterroso to the team. His gifts compliment and amplify all

that we offer to you. In October 2017, I celebrated the 5<sup>th</sup> anniversary of my consecration. I believe that it is a sign of my health and excitement in that it feels like I have just started, with much still to be experienced and accomplished.

Our Chaplains to the Retired Clergy help us to provide pastoral care to our retired clergy and their families. Unfortunately in 2017, Jim Alcorn died and Gary Jones retired. John Bentley now serves as the chaplain for the south region, with M. L. Agnew (east region) and Janne Osborne (west region). In May 2017, we “beefed up” the presentations at our annual Retreat for Retired Clergy, Spouses & Surviving Spouses. We heard from engaging speakers such as Barkley Thompson, Pittman McGehee and Elizabeth Crawford; we look forward to our next retreat at Camp Allen in May of 2018.

In 2016, St. James House of Baytown was transferred to TrustCare Management. The proceeds from the sale have gone into the St. James House Foundation. However, the board of St. James House has continued into 2017, tying up loose ends, conducting final audits, and completing the disposition of assets.

In early 2017, the St. James House Foundation board was expanded to include a broader representation of our diocese. We held an initial board retreat in March 2017 to begin our discernment on how we may impact seniors in our diocese. In August 2017, we renamed the foundation: Episcopal Seniors Foundation. With revised bylaws and organizational documents, the board can continue our discernment work in 2018. Pam Nolting, who has a heart for ministry to seniors in our diocese, serves as president of the Episcopal Seniors Foundation board.

During 2017, we expanded the board of St. Vincent’s House in Galveston to 10 members, with an eye to greater diversity. Bonnie Farmer, board president, works with me to focus not only on hope and healing, but also the transformation of lives on Galveston Island.

Hurricane Harvey has impacted so many people in our diocese. In the week following, I spent time in north Houston and then in the Golden Triangle area. On September 5, I celebrated a Eucharist in Beaumont for all those in the Southeast Convocation; it was good for many congregations to come together in a time of great loss and suffering.

I was pleased to preach at the Opening Eucharist of the Annual Retreat for Women (Episcopal Church Women) at Camp Allen in October, for the Diocesan Altar Guild retreat at Camp Allen in May, and for both of the Daughters of the King Assembly meetings (in February at Christ Church, Tyler, and in September at Camp Allen). It is my joy to provide spiritual encouragement to these diocesan ministries.

Small Church Network is for all people, lay and clergy, in churches that usually have an average Sunday attendance of 50 or fewer. In April, we renamed the group as Small Church Network; it was formerly known as the Little Church Club. After conducting a survey in November, we hope to address more fully the needs and concerns of our smaller congregations during our gatherings in 2018.

I serve on the Board of All Saints’ Episcopal School in Tyler. The school board is engaged in mission and vision work, which will continue into 2018, with the capable Head of School, Mike Cobb.

Kathy Dunn joined our diocesan staff as my administrative assistant. Kathy is already a valuable asset, not only to the Tyler Diocesan Center, but also throughout the diocese

In April, I attended a conference in Chicago called “The Unholy Trinity: the Intersection of Racism, Poverty and Gun Violence.” The conference was for interested laity and clergy throughout the wider Episcopal Church; I gained valuable insights as I continue to explore issues of peace and justice in God’s world.

I was honored in June to serve as the keynote speaker at the Deep Calls to Deep preaching residency program. Hosted by the Virginia Theological Seminary, this program is for seasoned clergy from the Dioceses of Texas, New York, Washington, Virginia, and Maryland.

In November, I was the spiritual leader on a 12-day pilgrimage to Israel. With clergy from our diocese who had all graduated at some point from the Iona School for Ministry (7 bi-vocational priests and 8 deacons), our hearts burned within us as the Holy Land opened up the scriptures to us in new ways.

The General Convention is coming! Halley Ortiz of St. David's in Austin and I serve as co-chairs of the planning team. We need thousands of volunteers; there is a job for everyone! At the least, please plan to come to Austin on Saturday, July 7, for the big worship event (with the Presiding Bishop preaching) and for the Diocese of Texas night of entertainment that will immediately follow.

The House of Bishops gathered twice during 2017: in March in Kanuga, North Carolina; and in September in Fairbanks, Alaska. It was good to be among my colleagues for both meetings and to experience the wide riches of our diverse Episcopal Church.

I continue to serve 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). During 2017, The Episcopal Church staff welcomed the Rev. Geoffrey Smith as the new Chief Operations Officer. I am impressed by Geoff's understanding of risks and I believe that his ministry will address some of the concerns that I have had in the past regarding reputational risk.

I was appointed to a term of service on the Program, Budget and Finance (PB&F) Committee of The Episcopal Church. This committee sets the budget for The Episcopal Church and my work with this committee will ramp up in 2018 as we approach General Convention.

Thank you for the opportunity to serve with you. It is a thrill for me to preach the great news of Jesus among you and to participate in the enlargement of God's kingdom.

Jeff W. Fisher, Bishop Suffragan

### **REPORT OF BISHOP HECTOR F. MONTERROSO**

I am very excited to be a part of the Diocese of Texas, to be part of the clergy of this Diocese and serve with you as Bishop Assistant. I want to share with you a report of the activities in which I was able to participate during my first six months in this new ministry.

From the beginning of my experience in the Diocese, I have been able to witness the great hospitality provided which has allowed me to integrate very quickly into the rhythm of work and the learning process that entails transferring from an Episcopal Diocese in Latin America to a Diocese in the Episcopal Church in the United States.

This change has been very positive in my ministry since in our call to follow Jesus implies accepting new challenges and new responsibilities in the hope that the Lord always grants the gifts necessary to fulfill the mission for which he calls us.

#### **Strategic Administrative Meetings:**

One of the vital components for developing the ministry of the Diocese is undoubtedly the administrative component and the follow-up of the planning processes that the diocese has established. This is a job in which time is invested and bears many fruits. Frequently, the Executive Committee meets to be able to follow-up on the individual and Committee goals and measure the progress of each diocesan administrative process.

### **Harvey:**

Three weeks immediately after my arrival to the Diocese and the city of Houston, Harvey hit the city of Houston and somehow, that inaugurated my ministry in the Diocese. In coordination with the Executive Team, we established a list of the places affected, we created a communications plan to assist pastorally the clergy and lay people who were directly affected by the floods and damages. The first days after the storm, we visited the most affected places, including temple facilities, neighborhoods and shelters. Our response was to provide pastoral support and provide emergency resources to support the most affected. It is important to note the level of organization most churches had immediately after recovering from their own pain and began their own protocol of help. This happened offering their facilities as shelters and distribution centers for food. From my experience, you can verify the excellent organization of the staff in the Diocesan Office and the parish administrations that acted with immediacy with pastoral responses.

### **Visits to Parishes:**

Pastoral visits are the most important focus of my ministry. During the first six months I've had the opportunity to visit 22 congregations Officially. I visited Episcopal High School where I received the invitation to reflect with the students during the celebration of one of the bilingual services they celebrate each year. I was also able to celebrate and install the head master of the Trinity Episcopal School in Galveston.

Pastoral visitations have really given me the opportunity to get to know the congregations, their work and ministry closely. It is very pleasant to see how the different churches understand their mission and ministry. I have been able to observe the multicultural presence in the Diocese. One of the challenges most of the congregations that I have visited face is the decrease of their membership or increasing the age of their membership and the need to find a dynamic to renew their leadership. In addition, some present a major challenge to have a clear vision of where the parish is headed in the coming years. The liturgy and the celebration of the sacraments are always well organized, and the priests and deacons are highly qualified for the celebration of the services.

I have tried to invest a lot of time in the visits of each of the congregations since I am interested in knowing about their ministry, their plans and goals, but at the same time, I have tried to spend a lot of time sharing with the laity of each Church. One of the complaints I have heard in other Dioceses, including the Diocese where I previously served, is the need for the laity of our congregations to spend more time with the bishop. I understand how complicated it is because of the size of the Diocese, however, I would like to establish a new dynamic to be able to share more time with the communities I visit.

### **Commission on Hispanic Ministry:**

As part of my responsibilities, I have initiated a series of conversations and an update of the work that the Commission on Hispanic Ministry carries out. We are currently working on developing a strategy that will help us in the formation of leadership, in the vocational call to promote Ordained Ministry in the midst of the Churches with Hispanic ministry and the planning of the annual Conference that invites the Hispanic lay leaders each year.

### **Other Activities:**

They include the representation of the Diocese before the ecumenical organisms in Houston. A conference on the contributions of the Churches in Central America with the

migrant population, EHF Galveston, Search for a Safe Place, a reflection at the Rothko Chapel, an interreligious service.

**Communications:**

I have started a series of reflections through my Facebook page, which have been well received. I have also been able to make connections with people who are interested in knowing or approaching our Church.

I am very grateful of Bishop Andy Doyle for inviting me to serve in the Diocese and of Bishops Dena Harrison and Jeff Fisher for their support and trust in me. I continue to learn and trust fully in our Lord Jesus Christ who guides my ministry of service with you.

Hector F. Monterroso, Bishop Assistant

**REPORT OF BISHOP RAYFORD B. HIGH**

As retired Bishop Suffragan of the Diocese of Texas, I am grateful to continue to serve. During this year, I officiated at 9 services, including three funerals. I also made 12 pastoral calls on clergy and lay persons in the Diocese.

+Rayford B. High, Jr.

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

**GENERAL CONVENTION AND PROVINCIAL SYNOD DEPUTIES**

(The Annual Council next preceding the next meeting of the Provincial Synod of the Church and the next meeting of the General Convention shall elect four Clergy Delegates and four Lay Delegates to represent this Diocese in the meeting of the Synod and in the meeting of the General Convention. The Clerical Delegate shall be Presbyters or Deacons, in either case canonically resident in the Diocese. The Lay Delegates shall be at least 18 years of age and shall be confirmed communicants in good standing resident in the Diocese. (Elect four lay/four clergy; the next four lay and clergy receiving the most votes will serve as alternates)

TO GENERAL CONVENTION 2018 (Elected at Annual Council 2017)

Delegates:

Clementine Arana, Epiphany, Houston  
Jerry Campbell, St. Alban's, Waco  
David Harvin, St. Martin's, Houston  
Luz Montes, San Mateo, Houston  
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. Chuck Treadwell, St. David's, Austin

Alternates:

Michelle Umana, St. Paul's/San Pablo, Houston  
Sarah Watkins, St. James', Austin  
Linda Barry, Holy Comforter, Spring  
Katherine Gould, St. John's, La Porte  
The Rev. Eileen O'Brien, University of Houston College Mission, Houston  
The Rev. Elizabeth Dowell, St. John's, Columbus  
The Rev. Cynthia Caruso, All Saints', Austin  
The Rev. Robby Vickery, St. Michael's, Austin

## 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 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.

As part of our diocesan celebration of the 40th anniversary of the ordination of women in the Episcopal Church, I have been working in partnership with the Rev. Christine Faulstich to gather historical documents, photographs, and other material to help the Diocese of Texas call to mind and celebrate the ordained women leaders in our Church.

Jimmy Abbott, Diocesan Historian

### REGISTRAR

As registrar of the Diocese of Texas, I certify that to date in 2017, 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 169th Council are to be filed online (do not send copies to the Diocesan Center). Forms of other materials for 2018 (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 [ngaspar@epicenter.org](mailto:ngaspar@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 13, 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 2017 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 November 30, 2017	Audited December 31, 2016
	ASSETS	2016
<b>ASSETS</b>		
Cash & Marketable Securities	\$ 170,421	\$ 205,323
Prepaid Expenses	132,226	103,288
Accounts Receivable		
Assessments & Asking	577,800	353,696
Less: Allowance for Doubtful Accounts	(235,999)	(104,761)
Related Entities	310,280	441,908
Other	58,276	55,741
Notes Receivable	-	6,771
Fixed Assets	978,459	999,087
Less: Accumulated Depreciation	<u>(618,566)</u>	<u>(658,369)</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,372,897</b>	<b>\$ 1,402,684</b>
<b>LIABILITIES</b>		
Accounts Payable		
Trade	\$ 90,492	\$ 335,794
Related Entities	209,908	59,875
Other	20,618	30,242
Discretionary Accounts	18,863	25,670
Deferred Revenue	109,977	90,158
Line of Credit	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 449,858</b>	<b>\$ 541,739</b>
<b>NET ASSETS</b>		
Net Assets	\$ 811,462	\$ 330,293
Net Assets - Special Accounts	49,483	180,062
Current Year - Revenue over (under) expenses	<u>62,094</u>	<u>350,590</u>
<b>TOTAL NET ASSETS</b>	<b><u>923,039</u></b>	<b><u>860,945</u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 1,372,897</u></b>	<b><u>\$ 1,402,684</u></b>

**THE EPISCOPAL DIOCESE OF TEXAS**

**The information provided is for the period January 1 - November 30, 2017**  
**DIOCESAN BUDGET**

	<b>Year to Date Amounts</b>	<b>2017 Adopted Budget</b>
<b>REVENUES</b>		
Assessments	7,122,745	7,770,273
Foundation Support	402,481	275,000
Foundation Overhead	1,562,020	1,772,965
Other revenues	599,627	496,762
	<b>TOTAL REVENUES</b>	<b>10,315,000</b>
<b>EXPENDITURES</b>		
<b>The Office of the Bishop</b>		
Clergy Compensation	1,183,985	1,319,240
Lay Staff Compensation	475,267	475,700
Travel and Business	324,536	324,100
Clergy Conference	106,118	100,000
	<b>2,089,906</b>	<b>2,219,040</b>
<b>Canonical Expenses</b>		
Diocesan Council	359,744	315,000
General Convention	2,871	25,000
Other	65,231	92,100
	<b>427,846</b>	<b>432,100</b>
<b>Ministry Expenses</b>		
Staff Compensation	867,303	1,048,900
Campus Missions	658,116	744,300
Communications	148,162	154,000
Transition Ministry	21,881	10,000
Wellness and Care Ministry	96,682	97,150
Other	391,003	402,600
	<b>2,183,147</b>	<b>2,456,950</b>
<b>Mission Amplification</b>		
Staff Compensation	623,573	704,300
Congregational Vitality	42,221	43,500
Christian Formation/Youth	215,179	248,000
Texas Episcopal Service Corps	167,917	177,600
Intercultural Development	26,273	30,500
Other	34,849	56,000
	<b>1,110,012</b>	<b>1,259,900</b>
<b>Service and Outreach</b>		
Support for the Episcopal Church	1,119,662	1,221,449
Support for the Anglican Communion	270,000	300,000

Mill Dev Goals, World Mission & Companion Dioceses	70,724	147,205
Other Outreach	43,173	51,000
	<b>1,503,559</b>	<b>1,719,654</b>
<b>Administration Expenses</b>		
Compensation	569,160	736,400
Information Technology	337,998	230,000
Overhead to EDOT Financial Services Corp.	303,820	331,440
Utilities, Janitorial, Repair & Maintenance	172,160	178,000
General Office Expense	289,328	307,500
HR Consulting and Other Transition Costs	91,708	60,000
Health Insurance	338,085	459,759
Other Insurance	105,887	140,672
Other	172,187	173,585
	<b>2,380,333</b>	<b>2,617,356</b>
<b>TOTAL EXPENSES</b>	<b>9,694,803</b>	<b>10,705,000</b>
Special Accounts	(70,024)	
<b>NET CHANGE IN ASSETS</b>	<b>62,094</b>	<b>(390,000)</b>

Linda Riley Mitchell, CFO

## EXECUTIVE BOARD

There have been three meetings of the Executive Board since the report to the 168<sup>th</sup> Annual Council (plus the final 2016 meeting and one telephone meeting).

Wednesday, December 14, 2016 The Treasurer reported a switch to a “Management Style” report. The Executive Board’s Compensation Committee made its report. Following discussion, the proposed 2017 budget to be recommended to the Diocesan Council was moved and adopted. The 2017 Housing Allowances were also moved and adopted. The motion was made and adopted that the Compensation Committee of the Board be made permanent. It was announced that the sale of Saint James’ House was complete and that the proceeds will go the Saint James Foundation to determine how best to impact senior services throughout the Diocese. The Finance Committee reported the cost of a fourth Bishop had been included in the 2017 budget.

Wednesday, February 11, 2017. The Executive Board met immediately following the adjournment of the 168<sup>th</sup> Council. Bishop Harrison was elected as Vice-President. Elected as Secretary was Canon Logan and Linda Mitchell was elected as Treasurer. Elected as the Board representative on the Nominations Committee was Betsy Sullivan. The normal Board schedule and Meetings were explained by the Bishop. The use of the computer program (“Base Camp”) for Executive Board communications was also explained.

Wednesday, March 8, 2017: The work of the Diocesan Constitution and Canons Committee was continuing. The audit indicated that it was “good year.” A permanent sub-committee is to focus on staff salaries and a theology of compensation. Members of the new Saint James House Foundation were designated. The Bishop is in conversation with a possible Assistant Bishop for the Diocese. There was a lengthy discussion on Church planting and its future in the Diocese.

Wednesday, September 6, 2017: As a result of the difficulties presented by Hurricane Harvey, the Executive Board met by telephone. There was considerable discussion on a

“three-year process of relief and recovery.” The next three to six months will be focused on basic relief efforts. The pastoral care of clergy impacted by the storm will be coordinated. The 2017 Budget will be adjusted as required.

Wednesday, October 11, 2017: Review of the Diocesan Constitution and Canons was given. Following discussion, the motion was made, seconded, and adopted that the proposed changes be submitted to Council for approval. The 169<sup>th</sup> Annual Council will be held in Waco with the opening service in the First Baptist Church. There may be a shortage of hotel rooms adjacent to the meeting space. Early registrations will be entitled to a discount. In addition to the required business, the focus of the Council will be on “Building the Body, To learn and to Grow with each other.” Following a discussion related to the earlier decision to adopt and refer the Constitution and Canons report to the Council, the motion was made, seconded, and adopted to withdraw the motion and refer the report back to the Committee with the request that the matter of Lay Representation be further studied and either presented at the next Board meeting or committed to a further long-range study. Further additions to the Clergy Housing Report were adopted. Congregational Assessments for 2018 were moved for presentation to Council and adopted. The Insurance Task Force proposed that the current plan be retained. The Committee recommended that the current Task Force on Clergy Renumeration be continued. The sale of Saint James House had been completed and the Saint James Foundation will receive \$2.9M. Bishop Harrison’s retirement is scheduled for January of 2019.

John A. Logan, Jr., Secretary

## 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. Kellaura Johnson, Ms. Carol Sue “Sukey” Fenoglio, and Ms. Karla Randle-Schapansky (terms expiring in 2018); Ms. Sue Green, Dr. John Hancock, and The Rev. Bill Fowler (terms expiring in 2019) and The Rev. Jason Ingalls, Mr. Gregory Vincent, and Mr. Clark “Corky” Moore (terms expiring in 2020). Officers elected by the Board were The Rev. Bill Fowler, President; Dr. John Hancock, Vice-President; Ms. Linda R. Mitchell, 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), John Hancock, 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, Corky Moore, Linda Mitchell, and David Fisher.

- Quin / EFT/ GCF Strategic Mission 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), John Hancock, Kellaura Johnson, Jason Ingalls, 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. In 2017 there were a total of eighteen congregations in the Diocese receiving grant funds from the Strategic Mission Grant program. The Strategic Mission Grants Committee (SMG) launched its new website [www.smgedot.org](http://www.smgedot.org) on May 31, 2017 for processing grant applications and managing active grants. This interactive website includes videos, stories, and motion graphics that convey information about the grant program using multiple media formats. The site has a complete translation in Spanish. The grant focus includes 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, 2016 and 2015

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# Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2016 and 2015 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, 2016 and 2015 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.



June 8, 2017

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

**Statements of Financial Position as of December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents ( <i>Notes 2 and 4</i> )	\$ 218,654	\$ 863,264
Notes receivable ( <i>Note 3</i> ):		
Church Corporation	444,835	513,553
Related entities, net	413,490	429,002
Receivables from other Diocesan operating entities	114,325	177,485
Investments ( <i>Note 4</i> )	33,571,810	30,701,716
Land	<u>180,601</u>	<u>574,230</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 34,943,715</u></b>	<b><u>\$ 33,259,250</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 27,573	\$ 11,886
Due to other Diocesan operating entities	67,898	21,768
Grants payable ( <i>Note 5</i> ):		
Related entities, net	164,000	169,500
Diocesan operating entities	<u>44,260</u>	<u>84,100</u>
<b>Total liabilities</b>	<b><u>303,731</u></b>	<b><u>287,254</u></b>
<b>Commitments (<i>Note 6</i>)</b>		
Unrestricted board-designated net assets:		
Revolving fund	2,624,678	2,982,373
Permanent fund	<u>32,015,306</u>	<u>29,989,623</u>
<b>Total unrestricted net assets</b>	<b><u>34,639,984</u></b>	<b><u>32,971,996</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 34,943,715</u></b>	<b><u>\$ 33,259,250</u></b>

*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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>REVENUE:</b>		
Investment return ( <i>Note 4</i> )	\$ 3,383,777	\$ (1,087,429)
Support from Diocesan operating entities	472,555	585,124
Interest on notes receivable	<u>30,458</u>	<u>53,861</u>
Total revenue	<u>3,886,790</u>	<u>(448,444)</u>
<b>EXPENSES:</b>		
<b>Program services:</b>		
Grants to related entities	1,534,483	1,383,469
Grants to other Diocesan operating entities	<u>209,375</u>	<u>781,293</u>
Total program services	1,743,858	2,164,762
<b>Supporting services:</b>		
Diocesan operating entities – administrative services	273,233	182,182
Investment management fees	92,748	107,702
Mineral interest and production expenses	68,185	104,339
Other management and general	<u>40,778</u>	<u>31,846</u>
Total expenses	<u>2,218,802</u>	<u>2,590,831</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
	1,667,988	(3,039,275)
Unrestricted net assets, beginning of year	<u>32,971,996</u>	<u>36,011,271</u>
Unrestricted net assets, end of year	<u>\$ 34,639,984</u>	<u>\$ 32,971,996</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 1,667,988	\$ (3,039,275)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(1,943,000)	2,834,658
Grants made by forgiveness of debt		362,039
Grant of land to a parish	393,629	
Changes in operating assets and liabilities:		
Receivables from other Diocesan operating entities	63,160	83,613
Accounts payable and accrued expenses	15,687	(6,212)
Due to other Diocesan operating entities	46,130	21,768
Grants payable	<u>(45,340)</u>	<u>(11,400)</u>
Net cash provided by operating activities	<u>198,254</u>	<u>245,191</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	100,000	6,995,272
Purchases of investments	(1,018,373)	(8,081,329)
Change in money market mutual funds held as investments	(8,721)	43,750
Payments received on notes receivable	84,230	267,579
Advances made on notes receivable		<u>(34,442)</u>
Net cash used by investing activities	<u>(842,864)</u>	<u>(809,170)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments made on notes payable		<u>(89,586)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(644,610)</b>	<b>(653,565)</b>
Cash and cash equivalents, beginning of year	863,264	1,516,829
Cash and cash equivalents, end of year	<u>\$ 218,654</u>	<u>\$ 863,264</u>

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, 2016 and 2015

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**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 25<sup>th</sup> anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. It was incorporated in 1955 and organized under Title V, Canon 2, 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:

- *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.
- *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 and certain lay employees throughout the Diocese.
- *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 Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies 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 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, 2016, 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.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. The ASU is effective for fiscal periods beginning after December 15, 2017 but early adoption is permitted. The Foundation is reviewing the impact on the presentation and disclosures in the financial statements and a planned date of adoption.

## **NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2016</u>	<u>2015</u>
Bank deposits	\$ 180,948	\$ 684,602
Money market mutual funds	<u>37,706</u>	<u>178,662</u>
Total cash and cash equivalents	<u>\$ 218,654</u>	<u>\$ 863,264</u>

## **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, 2016, is \$444,835.

#### *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 4.25% 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>2016</u>	<u>2015</u>
Notes secured by real and other property	\$ 505,459	\$ 516,390
Unsecured notes receivable	<u>38,368</u>	<u>42,949</u>
Total notes receivable from related entities	543,827	559,339
Allowance for loan losses	<u>(130,337)</u>	<u>(130,337)</u>
Notes receivable from related entities, net	<u><u>\$ 413,490</u></u>	<u><u>\$ 429,002</u></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 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, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
<b>Investments:</b>				
• Domestic bond mutual				
○ Intermediate-term	\$ 4,369,138			\$ 4,369,138
○ Inflation protected	2,532,239			2,532,239
○ High-yield	2,006,201			2,006,201
Large-cap index	2,489,438			2,489,438
Large-cap growth	1,139,429			1,139,429
Large-cap value	1,363,416			1,363,416
Small-cap growth	831,040			831,040
Small-cap value	915,165			915,165
International equity mutual funds:				
Emerging markets	2,996,427			2,996,427
Large-cap core	1,654,136			1,654,136
Large-cap value	1,730,302			1,730,302
International bond mutual funds	3,819,660			3,819,660
Master limited partnership mutual fund	2,649,768			2,649,768
Real estate mutual funds	2,066,796			2,066,796
Commodity mutual fund	1,930,374			1,930,374
Investment in EH Investment Fund, L.P. (a)		\$ 1,029,056		1,029,056
Money market mutual funds	<u>49,225</u>			<u>49,225</u>
Total investments	32,542,754		1,029,056	33,571,810
Money market mutual funds held as cash equivalents	<u>37,706</u>			<u>37,706</u>
Total assets measured at fair value	<u>\$ 32,580,460</u>	<u>\$ 0</u>	<u>\$ 1,029,056</u>	<u>\$ 33,609,516</u>

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>
<b>Investments:</b>				
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
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	<u>40,504</u>			<u>40,504</u>
Total investments	29,749,070		952,646	30,701,716
Money market mutual funds held as cash equivalents	<u>178,662</u>			<u>178,662</u>
Total assets measured at fair value	<u><u>\$ 29,927,732</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 952,646</u></u>	<u><u>\$ 30,880,378</u></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 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, 2016, 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 30 days. Redemptions are allowed at the end of each month with 10-days prior written notice. There are no unfunded commitments at December 31, 2016.

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, 2016 consist of the following:

Balance at December 31, 2014	\$ 996,047
Unrealized loss	<u>(43,401)</u>
Balance at December 31, 2015	952,646
Unrealized gain	<u>76,410</u>
Balance at December 31, 2016	<u>\$ 1,029,056</u>

Investments are exposed to various risks such as interest rate, market, and credit. 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>2016</u>	<u>2015</u>
Interest, dividends and capital gain distributions	\$ 1,035,007	\$ 1,117,357
Net realized and unrealized gain (loss)	1,943,000	(2,834,658)
Royalty income	<u>405,770</u>	<u>629,872</u>
Total investment return	<u>\$ 3,383,777</u>	<u>\$ (1,087,429)</u>

## **NOTE 5 – GRANTS PAYABLE**

Grants payable at December 31, 2016 are expected to be paid as follows:

2017	\$ 115,000
2018	<u>93,260</u>
Total	<u>\$ 208,260</u>

The Foundation has made approximately \$489,000 in grants to related entities that are conditional and have not been recognized as grants payable at December 31, 2016.

## **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, 2016, 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 June 8, 2017, 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.

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## 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 fourteen 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 most ably assisted in 2016 by Linda R. Mitchell, 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, 2016 and  
2015

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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, 2016 and 2015 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, 2016 and 2015 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.

*Blazek & Vetterling*

June 8, 2017

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**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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 802,256	\$ 261,658
Notes receivable: <i>(Note 2)</i>		
Clergy	560,739	658,226
Parishes and schools, net of allowance of \$17,000 in 2016 and 2015	2,174,941	2,377,345
Other, net of allowance of \$249,000 in 2016 and 2015	423,475	442,461
Land and buildings held for sale <i>(Note 3)</i>	1,543,634	1,463,834
Other assets	163,858	170,454
Beneficial interest in a trust <i>(Note 3)</i>	4,157,898	3,230,120
Investments <i>(Note 3)</i>	31,122,418	28,471,675
Property, net <i>(Note 4)</i>	<u>9,487,885</u>	<u>9,587,908</u>
 TOTAL ASSETS	 <u>\$ 50,437,104</u>	 <u>\$ 46,663,681</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 35,468	\$ 37,473
Due to Diocesan operating entities	57,773	71,552
Funds held for related entities	13,497,705	11,782,102
Notes payable <i>(Note 5)</i>	<u>8,558,773</u>	<u>8,638,570</u>
Total liabilities	<u>22,149,719</u>	<u>20,529,697</u>
 Commitments and contingencies <i>(Note 6)</i>		
 <b>Net assets <i>(Note 10)</i>:</b>		
Unrestricted <i>(Note 7)</i>	10,032,807	10,339,059
Temporarily restricted <i>(Note 8)</i>	14,447,203	12,118,855
Permanently restricted <i>(Note 9)</i>	<u>3,807,375</u>	<u>3,676,070</u>
Total net assets	<u>28,287,385</u>	<u>26,133,984</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 50,437,104</u>	 <u>\$ 46,663,681</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, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>				
Contributions	\$ 36,768	\$ 954,282		\$ 991,050
Change in value of beneficial interest in a trust		927,778		927,778
Investment return, net (Note 3)	286,804	792,617	\$ 131,305	1,210,726
Interest on notes receivable	116,956			116,956
Support from other Diocesan operating entities (Note 5)	176,967			176,967
Other	<u>95,983</u>			<u>95,983</u>
<b>Total revenue</b>	<b>713,478</b>	<b>2,674,677</b>	<b>131,305</b>	<b>3,519,460</b>
Net assets released from restrictions for program purposes:				
Participating Funds	<u>346,329</u>	<u>(346,329)</u>		
<b>Total</b>	<b><u>1,059,807</u></b>	<b><u>2,328,348</u></b>	<b><u>131,305</u></b>	<b><u>3,519,460</u></b>
<b>EXPENSES:</b>				
Program services:				
Grants to related entities	653,311	653,311		
Property costs for related entities	<u>207,730</u>	<u>207,730</u>		
<b>Total program services</b>	<b>861,041</b>			<b>861,041</b>
Supporting services:				
Management and general	424,252			424,252
Investment management and custodial	<u>80,766</u>			<u>80,766</u>
<b>Total expenses</b>	<b><u>1,366,059</u></b>			<b><u>1,366,059</u></b>
<b>CHANGES IN NET ASSETS</b>	<b>(306,252)</b>	<b>2,328,348</b>	<b>131,305</b>	<b>2,153,401</b>
Net assets, beginning of year	<u>10,339,059</u>	<u>12,118,855</u>	<u>3,676,070</u>	<u>26,133,984</u>
Net assets, end of year	<b><u>\$ 10,032,807</u></b>	<b><u>\$ 14,447,203</u></b>	<b><u>\$ 3,807,375</u></b>	<b><u>\$ 28,287,385</u></b>

*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>
<b>REVENUE:</b>				
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 (Note 3)	\$ (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>	 897,797	 <u>1,769,857</u>
 <b>EXPENSES:</b>				
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			3 22,158
Investment management and custodial	<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)**

**Statements of Cash Flows for the years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 2,153,401	\$ 496,431
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	100,023	100,023
Donated land	(79,800)	
Gain on valuation of property held for sale		(440,834)
Grants forgiven by other Diocesan operating entities		(286,125)
Change in value of beneficial interest in a trust	(927,778)	175,010
Net realized and unrealized (gain) loss on investments	(1,436,280)	1,643,281
Changes in operating assets and liabilities:		
Other assets	6,596	23,681
Accounts payable and accrued expenses	(2,005)	16,883
Due to Diocesan operating entities	(13,779)	(185,559)
Funds held for related entities	<u>1,715,603</u>	<u>(370,597)</u>
Net cash provided by operating activities	<u>1,515,981</u>	<u>1,172,194</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments received on notes receivable	319,453	350,141
Advances on notes receivable	(576)	(75,537)
Proceeds from sales of investments	6,381,971	8,591,522
Purchases of property		(113,789)
Purchases of investments	(7,830,218)	(8,398,334)
Net change in money market mutual funds held as investments	233,784	(1,615,692)
Proceeds from sale of property held for sale		<u>191,993</u>
Net cash used by investing activities	<u>(895,586)</u>	<u>(1,069,696)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable		120,000
Payments on notes payable	<u>(79,797)</u>	<u>(191,993)</u>
Net cash used by financing activities	<u>(79,797)</u>	<u>(71,993)</u>
<b>NET CHANGE IN CASH</b>	<b>540,598</b>	<b>30,505</b>
Cash, beginning of year	<u>261,658</u>	<u>231,153</u>
Cash, end of year	<u>\$ 802,256</u>	<u>\$ 261,658</u>

*Supplemental disclosure of cash flow information:*

Interest paid	\$68,535	\$79,110
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*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, 2016 and 2015

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**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.
- *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 and certain lay employees throughout the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies 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 Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25<sup>th</sup> 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.

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, 2016, 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. During 2016, the remaining beneficiary became deceased and the Church Corporation is expecting to receive the distribution of assets in 2017. 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.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will

be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. The ASU is effective for fiscal periods beginning after December 15, 2017 but early adoption is permitted. Church Corporation is reviewing the impact on the presentation and disclosures in the financial statements and a planned date of adoption.

## **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 22 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 7 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 Church Corporation'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, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
<b>Investments:</b>				
Domestic equity securities:				
Large-cap	\$ 4,235,661			\$ 4,235,661
Small-cap	1,700,073			1,700,073
Preferred shares	1,162,999			1,162,999
Mid-cap	633,057			633,057
Other	1,225,852			1,225,852
International equity securities	6,831,792			6,831,792
securities Alternative investments:				
Absolute return hedge fund (b)		\$ 3,447,413		3,447,413
Managed futures fund (c)		2,195,439		2,195,439
Exchange-traded funds	2,588,446			2,588,446
Money market mutual funds	2,226,062			2,226,062
Fixed-income mutual funds	2,114,642			2,114,642
Corporate bonds and notes		\$ 854,783		854,783
Mortgage-backed securities		665,124		665,124
U. S. Treasury securities		618,479		618,479
Total investments	22,718,584	2,138,386	6,265,448	31,122,418
Beneficial interest in a trust			4,157,898	4,157,898
Land and buildings held for sale		1,543,634		1,543,634
Total assets measured at fair value	<u>\$ 22,718,584</u>	<u>\$ 3,682,020</u>	<u>\$ 10,423,346</u>	<u>\$ 36,823,950</u>

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>
<b>Investments:</b>				
Domestic equity securities:				
Large-cap	\$ 3,913,757			\$ 3,913,757
Small-cap	420,357			420,357
Preferred shares	1,284,539			1,284,539
Mid-cap	2,198,563			2,198,563
Other	141,355			141,355
International equity securities	6,006,107			6,006,107
securities Alternative investments:				
Absolute return hedge fund (b)		\$ 3,523,979		3,523,979
Managed futures fund (c)		2,156,258		2,156,258
Exchange-traded funds	1,891,227			1,891,227
Money market mutual funds	2,459,846			2,459,846
Fixed-income mutual funds	1,859,207			1,859,207
Corporate bonds and notes		\$ 750,102		750,102
Mortgage-backed securities		559,529		559,529
U. S. Treasury securities		628,061		628,061
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>

- (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, 2016.
- (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, 2016.
- (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, 2016.

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.

- *Exchange-traded funds and mutual funds* are valued at the reported net asset value.
- *Corporate bonds and notes, mortgage-backed securities* and *U. S. Treasury 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, 2016 and 2015 are as follows:

	DIRECTIONAL <u>LONG/SHORT</u>	ABSOLUTE <u>RETURN</u>	MANAGED <u>FUTURES</u>	BENEFICIAL <u>INTEREST IN A TRUST</u>	<u>TOTAL</u>
Balance at January 1, 2015	\$ 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	3,523,979	2,156,258	678,788	3,230,120	9,589,145
Change in beneficial interest in a trust				927,778	927,778
Unrealized gain (loss)	<u>(76,566)</u>	<u>39,181</u>	<u>(56,192)</u>		<u>(93,577)</u>
Balance at December 31, 2016	<u>\$ 3,447,413</u>	<u>\$ 2,195,439</u>	<u>\$ 622,596</u>	<u>\$ 4,157,898</u>	<u>\$ 10,423,346</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, 2016 and 2015 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>2016</u>	<u>2015</u>
Interest and dividends and mineral royalties	\$ 648,442	\$ 641,664
Net realized and unrealized gain (loss)	<u>1,436,280</u>	<u>(1,643,281)</u>
Total investment return	2,084,722	(1,001,617)
Investment return allocated to funds held for related entities	<u>(873,996)</u>	<u>460,925</u>
Investment return, net	<u><u>\$ 1,210,726</u></u>	<u><u>\$ (540,692)</u></u>

#### **NOTE 4 – PROPERTY**

Property consists of the following:

	<u>2016</u>	<u>2015</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>(1,302,826)</u>	<u>(1,202,803)</u>
Net depreciable assets	2,627,914	2,727,937
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>2,907,396</u>
Property, net	<u><u>\$ 9,487,885</u></u>	<u><u>\$ 9,587,908</u></u>

#### **NOTE 5 – NOTES PAYABLE**

Notes payable consist of the following:

	<u>2016</u>	<u>2015</u>
Non-interest-bearing note payable to GCF.	\$ 6,293,007	\$ 6,308,007
Bank line of credit of \$5,000,000 with interest rate of prime less .75% (3% at December 31, 2016) through January 2018.	1,829,536	1,829,536
Note payable to Bishop Quin with interest rate of 2.5%.	<u>436,230</u>	<u>501,027</u>
Total notes payable	<u><u>\$ 8,558,773</u></u>	<u><u>\$ 8,638,570</u></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, 2016, land and buildings valued at approximately \$1,544,000 are being marketed for sale.

The note payable to Bishop Quin of \$436,230 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 2018 unless Church Corporation renews the agreement.

Interest expense for the years ended December 31, 2016 and 2015 was approximately \$245,000 and \$258,000, respectively. The 2016 and 2015 amount includes imputed interest at a rate of 2.8%, totaling \$177,000 and \$179,000 related to the non-interest bearing note to GCF, respectively.

## 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, 2016, 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 \$5,500,000 of such loans with loan maturities through 2028.

## NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets are designated as follows:

	<u>2016</u>	<u>2015</u>
Diocesan Properties Fund	\$ 4,596,450	\$ 4,846,798
Participating Funds	4,176,747	4,120,414
Clergy Housing Trust	710,349	754,753
Episcopal Housing Trust	<u>549,261</u>	<u>617,094</u>
Total unrestricted net assets	<u><u>\$ 10,032,807</u></u>	<u><u>\$ 10,339,059</u></u>

## NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Joan Golden Estate for support of abused children	\$ 5,108,812	\$ 4,010,943
Elise Casey Episcopal Trust for senior adult support	3,756,021	3,567,361
Ethel J. Ogden Restricted Episcopal Trust for youth education	1,197,294	1,008,820
Church growth and expansion (We Are One Campaign)	650,198	
Episcopal Endowment Fund for bishop support	544,155	536,990
Valda McWhirter Estate – Scholarship for St. Alban’s, Waco	431,401	413,168
Bishop Kinsolving Memorial Scholarship Fund	403,504	409,307
Wallace O. Breedlove Family Fund for missions	390,655	386,628
Ralph Spence Clergy Spouses Fund	329,374	322,807
Elma Robertson Estate for family support	309,764	301,767
Valda McWhirter Estate – St. Alban’s, Waco	241,282	227,372
The Reverend William David Roberts Memorial Fund for Iona School	195,691	184,408
Wimberly Legacy Fund	169,723	159,938
Kathy Wheless Memorial Scholarship Fund	157,790	148,694
Francis Emmett Stevens Fund for needs of the impoverished	104,807	98,765
St. Luke’s Chaplaincy Fund	98,154	92,495
Diocesan Scholarship Fund for nursing	76,505	72,095
Other	<u>282,073</u>	<u>177,297</u>
Total temporarily restricted net assets	<u><u>\$ 14,447,203</u></u>	<u><u>\$ 12,118,855</u></u>

## **NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are invested to support the following:

	<u>2016</u>	<u>2015</u>
Robert Maxey Episcopal Bequest benefits All Saints Chapel, Austin and St. David's Church, Austin	\$ 2,629,711	\$ 2,504,234
Bishop's Leadership Council Endowment benefits EHF	901,993	901,993
SLEHC 15 <sup>th</sup> Anniversary Endowment benefits EHF	153,376	153,376
Cynthia M. Hess Fund benefits St. Cyprian's Church	<u>122,295</u>	<u>116,467</u>
<b>Total permanently restricted net assets</b>	<b>\$ 3,807,375</b>	<b>\$ 3,676,070</b>

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, 2016:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds		\$ 9,639,109	\$ 3,807,375	\$ 13,446,484
Board-designated endowment funds	\$ 4,176,747	_____	_____	4,176,747
Endowment net assets	\$ 4,176,747	\$ 9,639,109	\$ 3,807,375	\$ 17,623,231

#### 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	\$ 4,120,414	\$ 8,888,736	\$ 3,676,070	\$ 16,685,220

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, 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	<u>(151,395)</u>	<u>(231,942)</u>	<u>(157,572)</u>	<u>(540,909)</u>

Investment management and other administrative costs	<u>(45,951)</u>	<u>(127,136)</u>	<u>          </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>
Contributions and transfers	<u>36,768</u>	<u>304,084</u>		<u>340,852</u>
Investment return:				
Interest and dividends	87,584	284,121		371,705
Net realized and unrealized gain	<u>199,057</u>	<u>508,496</u>	<u>131,305</u>	<u>838,858</u>
Investment return	<u>286,641</u>	<u>792,617</u>	<u>131,305</u>	<u>1,210,563</u>
Investment management and other administrative costs	<u>(45,591)</u>	<u>(145,506)</u>		<u>(191,097)</u>
Net investment return	<u>241,050</u>	<u>647,111</u>	<u>131,305</u>	<u>1,019,466</u>
Distributions	<u>(221,485)</u>	<u>(200,822)</u>		<u>(422,307)</u>
Endowment net assets, December 31, 2016	<u>\$ 4,176,747</u>	<u>\$ 9,639,109</u>	<u>\$ 3,807,375</u>	<u>\$ 17,623,231</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 Investment Strategies**

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.

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**

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, 2016 or 2015.

## **NOTE 11 – SUBSEQUENT EVENTS**

After year end, Church Corporation entered an agreement to fund a parish by taking an economic interest in land utilized by that parish totaling \$650,000.

Management has evaluated subsequent events through June 8, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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**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, 2016**

	EPISCOPAL HOUSING TRUST	CLERGY HOUSING TRUST	IOCESAN OPERTIES FUND	PARTICIPATING FUNDS	TOTAL
<b>REVENUE:</b>					
Contributions			\$ 650,198	\$ 340,852	\$ 991,050
Change in value of beneficial interest in a trust			927,778		927,778
Investment return, net	\$ 34	\$ 44	85	1,210,563	1,210,726
Interest on notes receivable	14,077	19,636	83,243		116,956
Support from other Diocesan operating entities			176,967		176,967
Other			95,983		95,983
<b>Total revenue</b>	<b>14,111</b>	<b>19,680</b>	<b>1,934,254</b>	<b>1,551,415</b>	<b>3,519,460</b>
<b>EXPENSES:</b>					
<b>Program services:</b>					
Grants to related entities			244,477	408,834	653,311
Property costs for related entities	<u>48,850</u>		<u>158,880</u>		<u>207,730</u>
Total program services	48,850		403,357	408,834	861,041
<b>Supporting services:</b>					
Management and general	33,094	64,084	203,270	123,804	424,252
Investment management and custodial fees				80,766	<u>80,766</u>
Total expenses	<u>81,944</u>	<u>64,084</u>	<u>606,627</u>	<u>613,404</u>	<u>1,366,059</u>
<b>CHANGES IN NET ASSETS</b>	<b>(67,833)</b>	<b>(44,404)</b>	<b>1,327,627</b>	<b>938,011</b>	<b>2,153,401</b>
Net assets, beginning 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>
Net assets, end of year	<b>\$ 549,261</b>	<b>\$710,349</b>	<b>\$ 9,404,544</b>	<b>\$ 17,623,231</b>	<b>\$ 28,287,385</b>

**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 <u>TRUST</u>	CLERGY HOUSING <u>TRUST</u>	DIOCESAN PROPERTIES <u>FUND</u>	PARTICIPATING FUNDS	<u>TOTAL</u>
<b>REVENUE:</b>					
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
<b>Total revenue</b>	<b>17,941</b>	<b>24,765</b>	<b>1,081,542</b>	<b>645,609</b>	<b>1,769,857</b>
<b>EXPENSES:</b>					
<b>Program services:</b>					
Grants to related entities			314,404	349,865	664,269
Property costs for related entities	23,322		173,116	_____	196,438
<b>Total program services</b>	<b>23,322</b>		<b>487,520</b>	<b>349,865</b>	<b>860,707</b>
<b>Supporting services:</b>					
Management and general	29,740	44,283	165,609	82,526	322,158
Investment management and custodial fees	_____	_____	_____	90,561	90,561
<b>Total expenses</b>	<b>53,062</b>	<b>44,283</b>	<b>653,129</b>	<b>522,952</b>	<b>1,273,426</b>
<b>CHANGES IN NET ASSETS</b>					
Net assets, beginning of year	(35,121)	(19,518)	428,413	122,657	496,431
<b>Net assets, end of year</b>	<b>652,215</b>	<b>774,271</b>	<b>7,648,504</b>	<b>16,562,563</b>	<b>25,637,553</b>
	<b>\$ 617,094</b>	<b>\$ 754,753</b>	<b>\$ 8,076,917</b>	<b>\$ 16,685,220</b>	<b>\$ 26,133,984</b>

## EPISCOPAL FOUNDATION OF TEXAS

The value of the Episcopal Foundation of Texas increased slightly through the first three quarters of 2017 as a result of appreciation of the investment portfolio. At the end of the 3<sup>rd</sup> quarter in 2017 the assets of the Foundation totaled just over \$71.1 million which represents an increase in market value of just over \$6.4 million since the beginning of 2017. An increase in the value of the Foundation may provide a small increase in the funds available for grants in 2017, depending on the performance of the investment portfolio in the fourth quarter of 2017. Below is a list of the funds budgeted for the various institutions the Episcopal Foundation of Texas supports during the year ended December 31, 2017.

### Grants in 2017:

St. Vincent's House	\$100,000
El Buen Samaritano	297,000
St. Stephen's School	300,000
Seminary of the Southwest	385,491
Camp Allen	100,000
The University of the South	250,000
The Bishop Quin Foundation	341,634
The Bishop Quin Foundation Strategic Mission	228,536
Tithe Grants	<u>209,251</u>
Total:	\$2,211,912

The accounting firm of Blazek & Vetterling LLP has completed auditing The Episcopal Foundation of Texas for the year 2016. 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

**The 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, 2016 and 2015

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# Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2016 and 2015 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, 2016 and 2015 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.

2900 Weslayan, Suite 200

Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

## **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 14 through 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.

*Blazek & Vetterling*

June 8, 2017

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

Statements of Financial Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash equivalents ( <i>Note 2</i> )	\$ 1,778,746	\$ 1,549,633
Investment income receivable	171,352	48,278
Investments ( <i>Note 2</i> )	61,964,141	59,043,379
Property, net ( <i>Note 3</i> )	<u>817,080</u>	<u>893,440</u>
 TOTAL ASSETS	 <u>\$ 64,731,319</u>	 <u>\$ 61,534,730</u>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Due to other Diocesan operating entities	\$ 33,657	\$ 254,849
<b>Grants payable (<i>Note 4</i>):</b>		
Unrelated entities, net	535,000	790,000
Related entities, net	1,326,275	1,663,319
Diocesan operating entities	<u>89,024</u>	<u>          </u>
 Total liabilities	 <u>1,983,956</u>	 <u>2,708,168</u>

**Commitments (*Notes 4 and 5*)**

Unrestricted net assets:		
Coffield income fund	1,104,968	(13,507)
Coffield principal fund	61,361,897	58,561,749
Memorial fund	<u>280,498</u>	<u>278,320</u>
 Total unrestricted net assets	 <u>62,747,363</u>	 <u>58,826,562</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 64,731,319</u>	 <u>\$ 61,534,730</u>

See accompanying notes to financial statements.

**The 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>REVENUE:</b>		
Investment return ( <i>Note 2</i> )	\$ 6,338,666	\$ 2,039,796
Rent income ( <i>Note 3</i> )	<u>59,616</u>	<u>59,616</u>
Total revenue	<u>6,398,282</u>	<u>2,099,412</u>
<b>EXPENSES:</b>		
Grants to related entities	894,595	2,621,238
Grants to other Diocesan operating entities	462,555	518,791
Grants to unrelated entities	<u>136,600</u>	<u>1,300,000</u>
Total program grants	<u>1,493,750</u>	<u>4,440,029</u>
Supporting services:		
Investment management costs	305,719	288,971
Mineral interest and production expenses	237,485	282,346
Diocesan operating entities – administrative services	323,362	234,088
Depreciation	76,360	76,360
Other administrative	<u>40,805</u>	<u>37,422</u>
Total supporting services	<u>983,731</u>	<u>919,187</u>
Total expenses	<u>2,477,481</u>	<u>5,359,216</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Unrestricted net assets, beginning of year	3,920,801	(3,259,804)
Unrestricted net assets, end of year	<u>58,826,562</u>	<u>62,086,366</u>
	<u><b>\$ 62,747,363</b></u>	<u><b>\$ 58,826,562</b></u>

See accompanying notes to financial statements.

**The 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 3,920,801	\$ (3,259,804)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(2,713,960)	1,542,302
Depreciation	76,360	76,360
Changes in operating assets and liabilities: Investment income	(123,074)	201,031
Due to other Diocesan operating entities	(221,192)	239,355
Grants payable	<u>(503,020)</u>	<u>1,641,765</u>
Net cash provided by operating activities	<u>435,915</u>	<u>441,009</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	4,773,115	8,851,688
Proceeds from mineral investments	118,316	3,281
Purchases of investments	(6,502,218)	(10,451,271)
Net sales of money market mutual funds held as investments	<u>1,403,985</u>	<u>1,139,791</u>
Net cash used by investing activities	<u>(206,802)</u>	<u>(456,511)</u>
<b>NET CHANGE IN CASH EQUIVALENTS</b>		
	229,113	(15,502)
Cash equivalents, beginning of year	<u>1,549,633</u>	<u>1,565,135</u>
Cash equivalents, end of year	<u>\$ 1,778,746</u>	<u>\$ 1,549,633</u>

See accompanying notes to financial statements.

**The 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, 2016 and 2015**

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**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:

- *The 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.
- *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 and certain lay employees throughout the Diocese.
- *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 Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25<sup>th</sup> 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 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 less depletion 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 2016 and 2015. 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.

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.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. The ASU is effective for fiscal periods beginning after December 15, 2017 but early adoption is permitted. The Foundation is reviewing the impact on the presentation and disclosures in the financial statements and a planned date of adoption.

## **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, 2016 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	\$ 15,454,247			\$ 15,454,247
Domestic equity securities:				
Large-cap	5,499,545			5,499,545
Small-cap	3,870,585			3,870,585
Mid-cap	2,750,629			2,750,629
Fixed-income mutual funds	9,921,704			9,921,704
International equity securities:				
Developed markets	5,985,320			5,985,320
Emerging markets	172,759			172,759
International equity exchange-traded funds	5,441,457			5,441,457
World allocation mutual funds	4,765,768			4,765,768
TIFF Absolute Return Pool (a)		\$ 3,978,189		3,978,189
Lignite mining interests		1,412,697		1,412,697
Money market mutual funds	1,007,921			1,007,921
Other partnerships (b)		713,290		713,290
Real estate investment trust funds	612,788			612,788
Exchange-traded bond funds	303,160			303,160
Other	<u>74,082</u>			<u>74,082</u>
Total investments	55,859,965		6,104,176	61,964,141
Cash equivalents:				
Money market mutual funds	<u>1,778,746</u>			<u>1,778,746</u>
Total assets measured at fair value	<u>\$ 57,638,711</u>	<u>\$ 0</u>	<u>\$ 6,104,176</u>	<u>\$ 63,742,887</u>

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>
<b>Investments:</b>				
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			
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
Lignite mining interests		1,530,972		1,530,972
Money market mutual funds	2,411,906			2,411,906
Other partnerships (b)		263,015		263,015
Real estate investment trust funds	807,943			807,943
Exchange-traded bond funds	299,070			299,070
Other	<u>110,363</u>			<u>110,363</u>
Total investments	53,187,178		5,856,201	59,043,379
<b>Cash equivalents:</b>				
Money market mutual funds	<u>1,549,633</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>

(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 at the end of the calendar quarter associated with the date of investment, subject to 100- days written notice, but may be limited by fund management based upon the liquidity of the underlying assets. The Foundation has no outstanding commitment at December 31, 2016.

(b) Other partnerships include three partnerships: one which invests primarily in private equity funds investing in developing economies and emerging markets, the second and third invest 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. At December 31, 2016, the Foundation has unfunded commitments for these partnerships totaling \$2,270,000.

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 a practical expedient 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, 2016 and 2015 are as follows:

	TIFF ABSOLUTE RETURN POOL	LIGNITE MINING INTERESTS	OTHER PARTNERSHIPS	TOTAL
Balance at January 1, 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/capital investment		\$ 265,000		265,000
Unrealized gain (loss)	<u>62,214</u>	<u>(1,985)</u>		<u>60,229</u>
Balance at December 31, 2015	4,062,214	1,530,972	263,015	5,856,201
Depletion related to current year production distributions		(118,275)		(118,275)
Purchase/capital investment		465,000		465,000
Unrealized loss	<u>(84,025)</u>	<u>(14,725)</u>		<u>(98,750)</u>
Balance at December 31, 2016	<u><u>\$ 3,978,189</u></u>	<u><u>\$ 1,412,697</u></u>	<u><u>\$ 713,290</u></u>	<u><u>\$ 6,104,176</u></u>

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

	2016	2015
Net realized and unrealized gain (loss)	\$ 2,713,960	\$(1,542,302)
Interest and dividends	1,472,012	1,499,198
Royalty income	<u>2,152,694</u>	<u>2,082,900</u>
Total investment return	<u><u>\$ 6,338,666</u></u>	<u><u>\$ 2,039,796</u></u>

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

	<u>2016</u>	<u>2015</u>
Episcopal Diocesan Center in Austin	\$ 1,323,050	\$ 1,323,050
Accumulated depreciation	<u>(570,476)</u>	<u>(494,116)</u>
Leasehold improvements, net	752,574	828,934
Land held for future missions	<u>64,506</u>	<u>64,506</u>
Property, net	<u>\$ 817,080</u>	<u>\$ 893,440</u>

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. Rent income recognized in 2016 and 2015 from the Diocese was approximately \$60,000.

Rent income from the Diocese at December 31, 2016 is expected to be collected as follows:

2017	\$ 59,616
2018	59,616
2019	59,616
2020	59,616
2021	59,616
Thereafter	<u>447,120</u>
Total	<u>\$ 745,200</u>

#### **NOTE 4 – GRANTS PAYABLE**

Grants payable at December 31, 2016 are expected to be paid as follows:

2017	\$ 844,024
2018	370,000
2019	120,000
2020	120,000
2021	120,000
Thereafter	<u>480,000</u>
Total grants payable	2,054,024
Discount to net present value at approximately 2%	<u>(103,725)</u>
Grants payable, net	<u>\$ 1,950,299</u>

The Foundation has made approximately \$146,000 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, 2016.

## **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, 2016, 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 June 8, 2017, 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.

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**The 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, 2016

	<u>COFFIELD INCOME FUND</u>	<u>COFFIELD PRINCIPAL FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash equivalents	\$ 1,778,746			\$ 1,778,746
Investment income receivable		\$ 171,352		171,352
Investments		61,683,643	\$ 280,498	61,964,141
Property, net		817,080		817,080
Interfund receivable (payable)	<u>1,310,178</u>	<u>(1,310,178)</u>		
<b>TOTAL ASSETS</b>	<b><u>\$ 3,088,924</u></b>	<b><u>\$ 61,361,897</u></b>	<b><u>\$ 280,498</u></b>	<b><u>\$ 64,731,319</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Due to other Diocesan operating entities	\$ 33,657			\$ 33,657
Grants payable:				
Unrelated entities, net	535,000			535,000
Related entities, net	1,326,275			1,326,275
Diocesan operating entities	<u>89,024</u>			<u>89,024</u>
Total liabilities	<u>1,983,956</u>			<u>1,983,956</u>
Unrestricted net assets	<u>1,104,968</u>	<u>\$ 61,361,897</u>	<u>\$ 280,498</u>	<u>62,747,363</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,088,924</u></b>	<b><u>\$ 61,361,897</u></b>	<b><u>\$ 280,498</u></b>	<b><u>\$ 64,731,319</u></b>

**The 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

	COFFIELD	COFFIELD	MEMORIAL	
	<u>INCOME FUND</u>	<u>PRINCIPAL FUND</u>	<u>FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>				
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)	1,145,028	(1,145,028)		
<b>TOTAL ASSETS</b>	<b>\$ 2,694,661</b>	<b>\$ 58,561,749</b>	<b>\$ 278,320</b>	<b>\$ 61,534.730</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Due to other Diocesan operating entities	\$ 254,849			\$ 254,849
Grants payable:				
Unrelated entities, net	790,000			790,000
Related entities, net	1,663,319			1,663,319
Total liabilities	2,708,168			2,708,168
Unrestricted net assets	(13,507)	\$ 58,561,749	\$ 278,320	58,826,562
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,694,661</b>	<b>\$ 58,561,749</b>	<b>\$ 278,320</b>	<b>\$ 61,534.730</b>

**The 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, 2016

	<u>COFFIELD INCOME FUND</u>	<u>COFFIELD PRINCIPAL FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
<b>REVENUE:</b>				
Investment return	\$ 1,076,347	\$ 5,248,749	\$ 13,570	\$ 6,338,666
Rent income	<u>59,616</u>			<u>59,616</u>
Total revenue	<u>1,135,963</u>	<u>5,248,749</u>	<u>13,570</u>	<u>6,398,282</u>
<b>EXPENSES:</b>				
Grants to related entities	894,595			894,595
Grants to other Diocesan operating entities	451,163		11,392	462,555
Grants to unrelated entities	<u>136,600</u>			<u>136,600</u>
Total program grants	<u>1,482,358</u>		<u>11,392</u>	<u>1,493,750</u>
Supporting services:				
Investment management costs	305,719			305,719
Mineral interest and production	237,485			237,485
Diocesan operating entities – administrative services	323,362			323,362
Depreciation		76,360		76,360
Other administrative	<u>40,805</u>			<u>40,805</u>
Total supporting services	<u>907,371</u>	<u>76,360</u>		<u>983,731</u>
Total expenses	<u>2,389,729</u>	<u>76,360</u>	<u>11,392</u>	<u>2,477,481</u>
Interfund transfers	<u>2,372,241</u>	<u>(2,372,241)</u>		
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
NET ASSETS	1,118,475	2,800,148	2,178	3,920,801
Unrestricted net assets, beginning of year	<u>(13,507)</u>	<u>58,561,749</u>	<u>278,320</u>	<u>58,826,562</u>
Unrestricted net assets, end of year	<u>\$ 1,104,968</u>	<u>\$ 61,361,897</u>	<u>\$ 280,498</u>	<u>\$ 62,747,363</u>

**The 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

	COFFIELD <u>INCOME FUND</u>	COFFIELD <u>PRINCIPAL FUND</u>	MEMORIAL <u>FUND</u>	<u>TOTAL</u>
<b>REVENUE:</b>				
Investment return	\$ 1,041,450	\$ 1,007,606	\$ (9,260)	\$ 2,039,796
Rent income	<u>59,616</u>	<u>      </u>	<u>      </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>
<b>EXPENSES:</b>				
Grants to related entities	2,621,238			2,621,238
Grants to other Diocesan operating entities	507,534		11,257	518,791
Grants to unrelated entities	<u>1,300,000</u>	<u>      </u>	<u>      </u>	<u>1,300,000</u>
Total program grants	<u>4,428,772</u>	<u>      </u>	<u>11,257</u>	<u>4,440,029</u>
Supporting services:				
Investment management costs	288,971			288,971
Mineral interest and production	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>      </u>	<u>      </u>	<u>37,422</u>
Total supporting services	<u>842,827</u>	<u>76,360</u>	<u>      </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>	<u>      </u>	<u>      </u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
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>\$ (13,507)</u>	<u>\$ 58,561,749</u>	<u>\$ 278,320</u>	<u>\$ 58,826,562</u>

## THE GREAT COMMISSION FOUNDATION

The purpose of the Great Commission Foundation (“GCF”) is set forth in Title V, 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; Linda Mitchell 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 2017, 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 expansion activity include funding the new Church of the Cross, Lake Travis, church-plant; San Romero, a new Hispanic church-plant in West Houston; a second church sites for Good Shepherd, Austin (Good Shepherd on the Hill); St. Andrew's, Pearland (Mosaic Campus); and the completion and dedication of the second church site of Christ Church, Tyler (South Tyler Campus).

In 2017, 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 The Strategic Mission Grants Committee (SMG) new website [www.smgedot.org](http://www.smgedot.org) on May 31, 2017 for processing grant applications and managing active grants. This interactive website includes videos, stories, and motion graphics that convey information about the grant program using multiple media formats. The site has a complete translation in Spanish.

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 2018.

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 2018.

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, 2016 and 2015

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# Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2016 and 2015 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, 2016 and 2015 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.

*Blazek & Vetterling*

June 8, 2017

2900 Weslayan, Suite 200

Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

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

Statements of Financial Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 22,810	\$ 1,883
Prepaid and other receivables	231,125	30,901
Investments (Note 2)	88,052,819	78,537,063
Investment in land (Note 2)	4,830,218	4,220,218
Receivable from Episcopal Health Foundation, net (Note 3)	16,311,822	19,950,701
Note receivable from Church Corporation (Note 4)	<u>6,293,007</u>	<u>6,308,007</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 115,741,801</u></b>	<b><u>\$ 109,048,773</u></b>
	\$ 22,810	\$ 1,883
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 89,511	\$ 415,415
Grants payable to parishes, missions and schools	<u>2,977,746</u>	<u>125,000</u>
Total liabilities	3,067,257	540,415
Commitments (Note 6)		
Unrestricted net assets	<u>112,674,544</u>	<u>108,508,358</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 115,741,801</u></b>	<b><u>\$ 109,048,773</u></b>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>REVENUE:</b>		
Investment return ( <i>Note 2</i> )	\$ 9,103,792	\$ (6,546,990)
Support from Diocesan operating entities:		
The Episcopal Health Foundation ( <i>Note 3</i> )	390,362	477,103
The Bishop Quin Foundation	39,375	63,000
Imputed interest on note receivable		
from Church Corporation ( <i>Note 4</i> )	176,967	179,312
Contributions	<u>101,970</u>	<u>58,597</u>
Total revenue	<u>9,812,466</u>	<u>(5,768,978)</u>
<b>EXPENSES:</b>		
<b>Program services:</b>		
Grants to parishes and church planting program	3,802,539	663,449
Mission outreach and service	1,489,579	1,742,059
Grants of land and buildings to a parish		
	<u>5,292,118</u>	<u>5,536,003</u>
<b>Supporting services:</b>		
Diocesan operating entities – administrative services	336,516	262,154
Other management and general	<u>17,646</u>	<u>46,226</u>
Total expenses	<u>5,646,280</u>	<u>5,844,383</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	<b>4,166,186</b>	<b>(11,613,361)</b>
Unrestricted net assets, beginning of year	<u>108,508,358</u>	<u>120,121,719</u>
Unrestricted net assets, end of year	<u><b>\$ 112,674,544</b></u>	<u><b>\$ 108,508,358</b></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, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 4,166,186	\$ (11,613,361)
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	
Amortization of discount on receivable from Episcopal Health Foundation	(390,362)	(477,103)
Net realized and unrealized (gain) loss on investments	(6,236,985)	9,423,714
Net unrealized gain on investment in land	610,000	
Changes in operating assets and liabilities:		
Prepaid and other receivables	(200,224)	74,182
Receivable from Episcopal Health Foundation	4,029,241	4,017,547
Accounts payable and accrued expenses	(325,904)	(94,123)
Grants payable to parishes, missions and schools	<u>2,852,746</u>	<u>(125,000)</u>
Net cash provided by operating activities	<u>3,284,698</u>	<u>4,336,351</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(46,657,416)	(6,630,030)
Proceeds from sales of investments	44,597,946	3,863,855
Net change in money market mutual funds held as investments	(1,219,301)	(857,009)
Purchases of land and improvements		(1,248,590)
Proceeds from note receivable from Church Corporation	<u>15,000</u>	<u>191,993</u>
Net cash used by investing activities	<u>(3,263,771)</u>	<u>(4,679,781)</u>
NET CHANGE IN CASH	20,927	(343,430)
Cash, beginning of year	<u>1,883</u>	<u>345,313</u>
Cash, end of year	<u>\$ 22,810</u>	<u>\$ 1,883</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, 2016 and 2015

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**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 15 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.

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:

- *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.
- *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 and certain lay employees throughout the Diocese.
- *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 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 25<sup>th</sup> 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 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.

Investment in land is reported at fair value.

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.

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 at December 31, 2016 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.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. The ASU is effective for fiscal periods beginning after December 15, 2017 but early adoption is permitted. The Foundation is reviewing the impact on the presentation and disclosures in the financial statements and a planned date of adoption.

## 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 appraisals or corroborating factual comparative inputs as accumulated by management to support estimated fair value.
- *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, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic multi-cap core index mutual fund	\$ 28,231,233			\$ 28,231,233
International equity mutual funds:				
Emerging markets	9,455,432			9,455,432
Large value	7,023,235			7,023,235
Large core	6,319,804			6,319,804
Small core	3,115,853			3,115,853
Domestic bond mutual funds:				
Core bond	7,817,031			7,817,031
High yield	2,601,157			2,601,157
Inflation-protected	1,633,139			1,633,139
Domestic equity securities:				
Master limited partnership closed-end fund	6,628,295			6,628,295
Large cap	283,467			283,467
Mid cap	34,250			34,250
Money market mutual fund	6,670,289			6,670,289
Global real estate mutual funds	3,311,169			3,311,169
Commodity mutual funds	2,571,990			2,571,990
International bond mutual funds	<u>2,356,475</u>			<u>2,356,475</u>
Total investments	88,052,819			88,052,819
Land		\$ 4,830,218		4,830,218
Total assets measured at fair value	<u>\$ 88,052,819</u>	<u>\$ 4,830,218</u>	<u>\$ 0</u>	<u>\$ 92,883,037</u>

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:				
International equity mutual funds:				
Emerging markets	\$ 6,857,896			\$ 6,857,896
Large value	4,962,364			4,962,364
Large core	5,144,836			5,144,836
Small core	2,573,853			2,573,853
Domestic bond mutual funds:				
Core bond	3,883,983			3,883,983
High yield	6,872,135			6,872,135
Inflation-protected	3,031,599			3,031,599
Master limited partnership				
closed-end fund	2,369,258			2,369,258
Money market mutual fund	5,450,988			5,450,988
Global real estate mutual funds	8,250,000			8,250,000
Commodity mutual funds	5,571,259			5,571,259
International bond mutual funds	5,041,541			5,041,541
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
Master limited partnership				
mutual fund	<u>1,606,711</u>			<u>1,606,711</u>
Total investments	78,537,063			78,537,063
Land		\$ 4,220,218		<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>

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.
- *Equity securities and master limited partnerships* are valued at the closing price reported on the active market on which the individual securities are traded.
- *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>2016</u>	<u>2015</u>
Interest and dividends	\$ 2,417,028	\$ 3,029,784
Net realized and unrealized gain (loss)	6,846,985	(9,423,714)
Investment management fees	<u>(160,221)</u>	<u>(153,060)</u>
Total investment return	<u><u>\$ 9,103.792</u></u>	<u><u>\$ (6,546.990)</u></u>

### **NOTE 3 – RECEIVABLE FROM EPISCOPAL HEALTH FOUNDATION**

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

	<u>2016</u>	<u>2015</u>
Receivable from EHF	\$ 16,940,950	\$ 20,970,191
Discount to net present value at 2.45%	<u>(629,128)</u>	<u>(1,019,490)</u>
Receivable from Episcopal Health Foundation, net	<u><u>\$ 16,311.822</u></u>	<u><u>\$ 19,950,701</u></u>

Amounts at December 31, 2016 are due to be received as follows:

2017	\$ 4,017,548
2018-2020	<u>12,923,402</u>
Total receivable	<u><u>\$ 16,940,950</u></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. Imputed interest income and program expense of \$177,000 in 2016 and \$179,000 in 2015 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 are 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 2016 and 2015, the Foundation recognized assessments to the Plan totaling approximately \$160,000 and \$151,000, respectively.

The funding positions of the Plan as of March 31, 2016 and 2015 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>2016</u>	<u>2015</u>
Net assets available for pension benefits – after amount designated		
for assessment deficiencies	\$ 8,300,861,000	\$ 8,358,801,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,715,978,000)</u>	<u>(6,937,803,000)</u>
Surplus	<u><u>\$ 1,584,883,000</u></u>	<u><u>\$ 1,420,998,000</u></u>
Funding percentage	124%	120%

## **NOTE 6 – COMMITMENTS**

During October 2016, the Foundation entered into a \$4.0 million contract to acquire 23 acres of unimproved land located in Travis County, Texas for the benefit of a parish.

## **NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 8, 2017, 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

2017 was a pivotal year for the health foundation, as we completed our first three years of full operations and launched a new strategic plan to frame our work for 2018 through 2022. The plan was developed over a nine-month period of discernment during which we engaged with stakeholders throughout the diocese, within the Episcopal family and in the larger community. The new plan is built upon three pillars from our previous plan—strengthening the health system, building healthy communities through engagement, and supporting early childhood brain development. Within each of these pillars, we have identified specific outcomes that we aim to achieve, and within the outcomes we have laid out specific strategies or pathways through which we will work to achieve those outcomes. Our hope is that the new plan will guide us in working upstream to address the root causes of poor health and toward opportunities for system-level transformation.

Grant-making: Our grant-making continues apace in 2017. Between January and November of 2017, EHF awarded grants to 85 organizations for a total of \$20.9 million. We expect to award up to \$12.3 million in additional grants during the remainder of 2017. This brings our grantmaking total under the current strategic plan to \$58.7 million, likely to be \$71 million by the close of 2017. We continue to expand the geographic scope of our work as we develop grant opportunities throughout the diocese. In 2017, we added 28 new grantees in Anderson, Angelina, Brazoria, Brazos, Harris, Harrison, Matagorda, and Travis counties. Most of the grants continue to be made to organizations providing community-based care to low income, uninsured and vulnerable populations, including preventive, primary, behavioral health, and dental care. We awarded several grants to diocesan-related organizations including \$10 million to the diocese to offset the parishes' clergy health insurance costs for 2017 and 2018; \$820,000 to support El Buen Samaritano's health clinic; \$85,000 to build the organizational capacity of St. Vincent's House; 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 previous commitments of \$3.67 million to support placement of their counseling graduates in East Texas internships. One of the Harrison Fellow counselors placed in Lufkin has accepted a permanent position with a local mental health agency—an amazing outcome that surpassed our expectations.

Congregational engagement: We filled out our congregational engagement team with the addition of Eric Moen, who has deep experience in community engagement on behalf of Episcopal churches. We continue to benefit from the wisdom of our "kitchen cabinet," a group of clergy, staff, and lay leaders representing diverse regions and perspectives across the diocese. As we conclude our third year of congregational work, we have gained a clearer understanding of the best pathways through which to support our congregations, and we are developing programs accordingly. This year we launched an innovative program called Holy Currencies, developed by Rev. Eric Law. The Holy Currencies curriculum enables congregations to undertake a faith-based approach to planning meaningful, sustainable outreach ministries. Eleven congregations have participated in this work in 2017, and we expect to add additional congregations in 2018. Based on

expressions of interest from the congregations, we are developing initiatives to address the issues of race and poverty, working in concert with the national church. We continue to sponsor Mental Health First Aid training (21 trainings certifying 388 people in 2017) and community engagement training (16 churches, 130+ people trained in 2017); we funded 9 consultants to support outreach training, planning and implementation benefitting more than 20 congregations; we provided direct financial support to 3 congregations for outreach work; and we supported conference and training costs for 10 people from 4 congregations. As with our grantmaking work, we continue to learn how we can be most effective as partners to the congregations, and we adjust accordingly.

Rural Health: During 2017, we commissioned research on a variety of issues relating to rural health including an overview of rural health challenges and opportunities; optimization of healthcare delivery in communities where rural hospitals may be closing; and the role of rural health clinics. We have also commissioned research on telehealth, which may prove an effective solution to some of the access problems faced in rural communities. Through work with Texas A&M and UT-Tyler, we've met with leaders in the Brazos Valley counties and Northeast Texas, and are building or supporting health-focused coalitions in these areas.

Other work: Our 2017 work included an increased focus on community engagement and organizational effectiveness. We added new staff to our community engagement team as we recognized that this kind of work depends on relationship-building, which is "people intensive." In organizational effectiveness, we brought on a staff member to work with selected existing and potential grantees to ensure that they have the leadership, financial strength, and overall infrastructure to do transformative work. We work toward achievement of our outcomes primarily through others, so it is important to our success that our community partners are strong.

As we come to the close of our first strategic plan, we move forward as a young but no longer brand-new organization. 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. We are inspired by the commitment and dedication of congregations and community-based organizations large and small, without whom we could not do our work. The combination of grant-making and community-based work distinguishes Episcopal Health Foundation and gives us an opportunity to pursue systems 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, 2016 and 2015

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# Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2016 and 2015 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

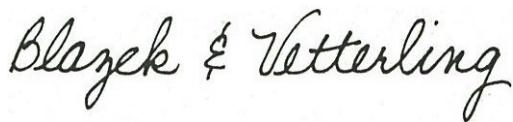
**Management's Responsibility for the Financial Statements** - Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2016 and 2015 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 24, 2017

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

Statements of Financial Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents ( <i>Note 4</i> )	\$ 26,093,012	\$ 15,020,703
Accounts receivable and other assets	254,680	412,207
Interest accrued on note receivable	3,917,733	4,913,212
Note receivable, net ( <i>Note 2</i> )	151,052,874	183,258,029
Investments ( <i>Notes 3 and 4</i> )	965,387,742	889,256,610
Property, net ( <i>Note 5</i> )	<u>10,614,957</u>	<u>10,388,155</u>
 TOTAL ASSETS	 <u>\$1,157,320,998</u>	 <u>\$ 1,103,248,916</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 853,317	\$ 399,689
Grants payable ( <i>Note 6</i> )	9,569,900	5,119,418
Grant payable to The Great Commission Foundation ( <i>Note 6</i> )	<u>16 311 822</u>	<u>19,950,701</u>
 Total liabilities	 <u>26,735,039</u>	 <u>25,469,808</u>
 Unrestricted net assets:		
Undesignated	195,798,016	116,547,576
Contractually-restricted ( <i>Note 7</i> )	934,787,943	961,231,532
 Total unrestricted net assets	 <u>1,130,585,959</u>	 <u>1,077,779,108</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$1,157,320,998</u>	 <u>\$1,103,248,916</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>REVENUE:</b>		
Partnership income (loss) <i>(Note 3)</i>	\$ 74,922,845	\$ (41,793,510)
Interest on note receivable <i>(Note 2)</i>	7,091,776	8,445,424
Transfer from CHI <i>(Note 2)</i>	25,057	2,828,948
Other revenue	<u>261,127</u>	<u>368,972</u>
Total revenue	<u>82,300,805</u>	<u>(30,150,166)</u>
<b>EXPENSES:</b>		
<b>Program services:</b>		
Grants made <i>(Note 6)</i>	21,828,674	17,980,738
Impact program initiatives	2,288,349	1,284,607
Research	1,503,181	1,299,715
Program management	<u>1,463,746</u>	<u>1,346,414</u>
Total program services	<u>27,083,950</u>	<u>21,911,474</u>
<b>Supporting services:</b>		
Diocesan operating entities - administrative services	607,622	347,232
Other management and general	<u>1,802,382</u>	<u>1,596,711</u>
Total supporting services	<u>2,410,004</u>	<u>1,943,943</u>
Total expenses	<u>29,493,954</u>	<u>23,855,417</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
	52,806,851	(54,005,583)
Unrestricted net assets, beginning of year	1,077,779,108	1,131,784,691
Unrestricted net assets, end of year	<u>\$1,130,585,959</u>	<u>\$1,077,779,108</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, 2016 and 2015

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in unrestricted net assets	\$ 52,806,851	\$ (54,005,583)
Adjustments to reconcile changes in unrestricted net assets to net cash used by operating activities:		
Depreciation	570,756	427,735
Partnership (income) loss	(74,922,845)	41,793,510
Changes in operating assets and liabilities:		
Accounts receivable, other assets and interest accrued on note receivable	1,153,006	404,871
Accounts payable and accrued expenses	217,607	195,451
Grants payable	4,450,482	1,236,106
Grant payable to The Great Commission Foundation	(3,638,879)	(3,540,444)
Net cash used by operating activities	<u>(19,363,022)</u>	<u>(13,488,354)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Payments received on note receivable	32,205,155	30,966,495
Purchases of investments		(35,500,000)
Change in money market mutual funds held as investments	(1,208,287)	21,467,795
Purchases of property	(561,537)	(870,032)
Net cash provided by investing activities	<u>30,435,331</u>	<u>16,064,258</u>

NET CHANGE IN CASH	11,072,309	2,575,904
Cash and cash equivalents, beginning of year	<u>15,020,703</u>	<u>12,444,799</u>
Cash and cash equivalents, end of year	<u>\$ 26,093,012</u>	<u>\$ 15,020,703</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, 2016 and 2015

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**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 5 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:

- *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.
- *EDOT Financial Services Colloratio11* 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 and certain lay employees throughout the Diocese.
- *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 Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies 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 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.

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 highly liquid financial instruments with original maturities of three months or less which are available for grant and operating requirements.

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 EI-IF 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, 2016, 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.

Grants made 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.

Reclassifications Cash and cash equivalents of approximately \$14.9 million at December 31, 2015 were reclassified from investments.

Recent financial accounting pronouncement - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the

balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. The ASU is effective for fiscal periods beginning after December 15, 2017 but early adoption is permitted. EHF is reviewing the impact on the presentation and disclosures in the financial statements and a planned date of adoption.

## **NOTE 2 - DEFINITIVE AGREEMENT TRANSACTIONS**

Under the Definitive Agreement (the Agreement), EHF received cash and a note receivable from Catholic Health Initiatives (CHI) for consideration of transfer of a 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 proceeds would be used for health initiatives and 85% of the proceeds would 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 2016 and 2015, CHI transferred approximately \$2.8 million and \$25,000, respectively, of funds held for the benefit of EHF.

The note receivable agreement with CHI totaled \$260,000,000 and requires 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 on 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 CI-II related to the operations of SLEH, as outlined in the Agreement.

## **NOTE 3 - INVESTMENTS AND INVESTMENT RETURN**

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Investment in EH Investment Fund, L.P.	\$ 963,985,139	\$ 889,062,294
Money market mutual funds	1,402,603	194,316
<b>Total investments</b>	<b><u>\$ 965,387,742</u></b>	<b><u>\$ 899,256,610</u></b>

EH Investment Fund, L.P. (the Fund) is a Delaware limited partnership that was created on June 1, 2014. HCP EI-IF 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, 2016, 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, 2016.

The assets of the Fund invested are summarized as follows:

	<u>2016</u>	<u>2015</u>
Portfolio funds: (a)		
Absolute	23.2%	25.6%
Equity strategies	21.2%	21.8%
Equity hedge	7.7%	7.2%
Private equity	5.8%	4.5%
Other	3.4%	1.9%
Global stock and hard asset mutual funds	18.4%	18.6%
Marketable securities:		
Common stock	13.3%	13.9%
Exchange traded funds	0.3%	
Foreign depository receipts	1.0%	0.2%
Cash and cash equivalents	<u>6.0%</u>	<u>6.0%</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 EI-IF. EI-IF believes that the effect of any future regulatory change in EHF's assets would not materially impact the value.

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>2016</u>	<u>2015</u>
Realized and unrealized loss	\$ 72,907,605	\$ (42,224,002)
Interest and dividends	6,730,416	5,968,672
Investment management and incentive fees	(4,364,802)	(5,179,931)
Other expenses	(350.374)	(358,249)
Total partnership income	<u>\$ 74,922.845</u>	<u>\$ (41,723,510)</u>

## NOTE 4 - 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, 2016 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Investments:</b>				
Cash equivalents	\$ 26,090,938			\$ 26,090,938
Money market mutual funds	1 402.603			1,402.603
<b>Total</b>	<b>\$ 27,493,541</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>27,493,541</b>
Other investments measured at net asset value as the practical expedient:				
EH Investment Fund, L.P.				<u>963,985,139</u>
<b>Total assets measured at fair value</b>				<u><b>\$991,478,680</b></u>

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

	LEVEL 1	LEVEL 2	LEVEL 3	
<b>Investments:</b>				
Cash equivalents	\$ 14,851,126			\$ 14,851,126
Money market mutual funds	194,316			194,316
<b>Total</b>	<b>\$ 15,045,442</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>15,045,442</b>
Other investments measured at net asset value as the practical expedient:				
EH Investment Fund, L.P.				<u>889,062,294</u>
<b>Total assets measured at fair value</b>				<u><b>\$904,107,736</b></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 report fair value of the investment. The fair value of the fund is based on information provided by the general partner of the fund. 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.

*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, 2016 and 2015.

**NOTE 5 - PROPERTY**

Property is comprised of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 750,000	\$ 750,000
Buildings and improvements	11,001,208	10,203,648
Total property, at cost	<u>11,751,208</u>	<u>10,953,648</u>
Accumulated depreciation	(1,136,251)	(565,493)
Property, net	<u><u>\$ 10,614,957</u></u>	<u><u>\$ 10,388,155</u></u>

**NOTE6-GRANTSPAYABLE**

At December 31, 2016, grants approved and committed for future payments are payable as follows:

	<u>GCF</u>	<u>OTHER</u>	<u>TOTAL</u>
2017	\$ 4,017,548	\$ 6,096,645	\$ 10,114,193
2018	4,017,548	1,673,568	5,691,116
2019	4,017,548	881,386	4,898,934
2020	<u>4,888 306</u>	<u>918 301</u>	<u>5,806,607</u>
Total grants payable	16,940,950	9,569,900	26,510,850
Discount to net present value at 2.45%	(629,128)		(629,128)
Grants payable, net	<u><u>\$ 16,311,822</u></u>	<u><u>\$ 9,569,900</u></u>	<u><u>\$25,881,722</u></u>

EHF provided a \$5 million grant in 2016 and in 2015 to a related Diocesan operating entity to fund a portion of clergy health insurance costs for all Diocesan entities. EHF provided other grants to related Diocesan entities totaling approximately \$1,191,000 in 2016 and \$3,128,000 in 2015.

## **NOTE 7 - 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 SLEI-1 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 are as follows:

Contractually-restricted net assets, January 31, 2015	\$ 981,592,114
Expenditure of funds for restricted purposes	<u>(20,360.582)</u>
Contractually-restricted net assets, December 31, 2015	961,231,532
Expenditure of funds for restricted purposes	<u>(26,443,589)</u>
Contractually-restricted net assets, December 31, 2016	<u>\$ 934,787,943</u>

## **NOTE 8 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 24, 2017, 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.

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## **CANONICAL REPORTS**

### **COMMISSION ON MINISTRY**

The primary purpose of the Commission on Ministry is to conduct a diocesan level discernment of those who feel called to ordained ministry (stipendiary and non-stipendiary). Nominees (also called Aspirants) are presented to the Commission on Ministry by their local Head of Congregation and Vestry/Bishop's Committee, after they participate in a Discovery Retreat, meet with a regional discernment committee and submit a completed application. The Committee for the Diaconate is 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, the Executive for Ministry, who makes the final decision regarding postulancy. After Postulants are accepted to attend seminary or the Iona School of Ministry, the Commission 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 implementation of a Discovery Retreat weekend and regional discernment committees. Discovery retreats were held this year in April and December hosting a total of 56 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. Since its inception, 95 people have been trained and participated in Regional Discernment Committees. Sixteen regional discernment committees were held this year. As the demands grows, we will still need to identify and train those who have the gift of discernment.

Francene Young, Chair

### **EXAMINING CHAPLAINS**

The Examining Chaplains met in January at Camp Allen to examine three senior seminarians for ordination as Deacons. We continue to use the process we began in 2011 as a replacement for the National General Ordination Examinations. We continue to find it a more satisfactory assessment of the students' knowledge and writing skills as well as their practical application of those skills. We met for three days for a series of written and oral exams. Each student was to be prepared to conduct one of the Daily Offices, including preaching a sermon on an assigned text. This process allows us to know the students better and understand their seminary experience through both informal and group discussions. We met in October at the Clergy Conference for a short series of oral examinations of the new Deacons before recommending them for ordination as Priests. The current Chaplains are A. Dean Calcote, Mark T. Crawford, Nancy P. De Forest, Patrick M. Hall, Eileen E. O'Brien, and Edward L. Stein.

A. Dean Calcote, Chair

### **DEACON'S REPORT**

Our thirty – three deacons, many of whom hold "regular" jobs, are involved in a great diversity of diaconal work throughout the Diocese. Several have stopped doing active ministry; Deacon Betty Divine, Deacon Linda Shelton and Deacon Warren Miedke.

One deacon continues to be involved in the Austin Recovery ministry, a twelve-step recovery ministry. This deacon continues to listen to 5<sup>th</sup> steps. In addition, a worship service has been started. Supply priests have celebrated Eucharist and four people have been baptized. 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.

A great deal of work has been done by many deacons in response to Hurricane Harvey. One deacon is involved in a new missional community at an apartment complex for physically and mentally disabled adults. It involves Saturday hot meal delivery to those who are on weekday Meals on Wheels, and social events, pet vaccinations and wellness, purchase of needed electric beds and wheelchairs, help with rent and electric bills, etc. Another deacon has started an "Open Table" ministry which provides ministry to foster children aging out of the system. 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, 249 & Hope, etc.). One deacon has organized and begun a Meals on Wheels program where 25-30 meals are being delivered each day. Five deacons are involved in grief support in general, Walking the Mourner's Path, GriefShare and Footprints – children's grief. One deacon produced a mid-week Lenten series with the theme of "Health and Spirituality." It culminated in a community Health Fair. One deacon has started a Ministry of Presence at The Well, a day center for homeless and impoverished women.

Several deacons are chaplains to law enforcement departments. One deacon, who serves as Chaplain to the Round Rock Police Department has received a Volunteer of the Year Award. One deacon continues to work with other local church communities to organize and provide 5<sup>th</sup> 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 3<sup>rd</sup> 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.

One deacon leads an annual mission trip to Honduras. One deacon has been chair of the Interfaith Immigration Network. One deacon participates in interfaith work in the Bryan-College Station area. 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 Dean 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 coordinates Discovery Retreats, trains Regional Discernment ministers and is Secretary to the EDOT Hispanic Ministries Commission, the Reverend Wanda Cuniff has served on the Division of Spiritual Formation and the Reverend Linda Shelton and the Reverend Sherry Williams have been 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**

The Standing Committee of the Episcopal Diocese of Texas consists of three priests and three lay communicants within the diocese, elected by Council for a three-year term. 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.

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

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.

Committee members:

To 2018:

Rhonda Fanning of St. Martin's, Houston (Secretary)

The Rev. Pedro Lopez of St. Peter's/San Pedro, Pasadena (President)

To 2019:

Dave Bollinger of Good Shepherd, Tomball;

The Rev. Christine Faulstich of Epiphany, Houston

To 2020:

The Rev. Hanna Adkins of Trinity, Houston.

Marcia Quintanilla of San Mateo, Houston.

We met on the following dates:

- April 27, 2017, at which time we conducted three Transitional Deacon interviews.
- August 17, 2017, at which time we had two Bi-Vocational track interviews, four Seminary Track interviews, and two Diaconate track interviews.
- September 13, 2017, at which we met with The Rt. Rev. Todd Ousley, Bishop for Pastoral Development of the Episcopal Church and The Rt. Rev. Andrew Doyle to discuss the process of election of a new Bishop Suffragan for the Diocese of Texas; we set up goals and dates for such a process.
- November 14, 2017, at which time we conducted three final interviews for three of the people being ordained to the priesthood.

Throughout the meetings this year we met several times with Bishop Harrison to discuss issues about the candidates being interviewed. We also met regularly with Bishop Doyle to discuss matters pertaining to the administration of the Diocese. We also voted to give our consent on elections for bishops in several of our Diocese in the Episcopal Church.

Pedro N. Lopez, President

## DISCIPLINARY BOARD

In the past reporting year, the Disciplinary Board of the Diocese of Texas formally convened electronically on April 10, 2017 to elect The Rev. Keith F. Giblin as President. The Disciplinary Board also met on April 18, 2017 to review national and diocesan canons as they pertain to the work of the Board. During the course of the reporting year, all complaints were handled at the Reference Panel level (Intake Officer, President of Disciplinary Board, and Bishop). Members of the Disciplinary Board and the year in which

their terms expire are as follows: Ms. Ann O'Connell (2018), The Rev. C. George McGavern, III (2018), Ms. Lisa Bowlen Hobbs (2019), The Rev. Beth Fain (2019), The Rev. Carissa Baldwin – McGinnis (2020), Mr. Mike Hughes (2020), and The Rev. Keith F. Giblin (2020).

Keith F. Giblin, President

## EDOT FINANCE

### THE EPISCOPAL DIOCESE OF TEXAS ("EDOT") FINANCE COMMITTEE

#### REPORT OF THE SUB-COMMITTEE ON REMUNERATION ("SCR") DECEMBER 22, 2017

##### REPORT OBJECTIVE

The purpose of this report is to

- ❖ Review the report previously submitted to Council, which broadly outlined a three year strategic plan on executive level clergy remuneration adjustments.
- ❖ Further discuss the 2017 remuneration adjustments that were ultimately submitted to and adopted by Council in February, 2017
- ❖ Re-examine the work done that led to the 2017 recommendations and refine the research behind that work to include a more detailed examination of clergy compensation within EDOT to establish the reasonableness of the executive clergy compensation and
- ❖ Recommend to the EDOT Finance Committee remuneration adjustments for 2018.

##### RECOMMENDATIONS AND ACTIONS

Based on SCR's work as outlined above and further discussed below, the Finance Committee and the Executive Board adopted its recommendations for the 2018 EDOT budget. SCR has re-affirmed the methodology and work performed previously and by adding more detailed work surrounding EDOT clergy compensation, the proposed executive clergy compensation falls within reasonable ranges. Moreover, our survey of EDOT clergy reveals that even after the proposal is enacted, our canons and bishops will be paid below the highest compensated clergy in the diocese.

##### THE 2017 WORK PERFORMED

Under SCR, the work performed included the following:

- A second review of the full Mercer report and the related compensation fairness letter
- A second review of the original 2017 Council report
- Interviews with a range of EDOT clergy about clergy compensation
- A review of clergy wide compensation within EDOT to provide a basis of reasonableness of executive clergy compensation

As noted from the work above and relevant parts of its charge, SCR is sensitive to and recognizes the controversy surrounding its prior work that was presented to Council. The

Mercer report that supported part of SCR's rationale looked at compensation from a level of responsibility and skills required perspective.

**The Mercer report was not adopted in its entirety, but instead SCR unanimously adopted lower ranges of remuneration adjustments for its conclusions and recommendations.** Looked at from a responsibility perspective, members of SCR see Bishop Doyle's key responsibilities as:

- The chief pastor of the diocese
- The key visionary of the diocese
- The stewardship of a diocese with approximately \$2.5 billion in financial and real estate assets
- A major and influential role in both The Anglican Communion and the U.S. Episcopal Church
- Current presidency of the Compass Rose Society
- Substantial fundraising responsibilities for major entities within our diocese, such as Camp Allen, Seminary of the Southwest, and St. Francis
- Leadership of complex diocesan entities

SCR believes that it is appropriate to recognize the performance of these executives. This is more than an exercise in determining the roles and responsibilities. Specific performance metrics are difficult, but the growth of the diocese, the increasing influence of the diocese in the U. S. Episcopal Church and the Anglican Communion represent positive directional factors that must be thought of as this process continues.

Respectfully submitted,



Charles W. Hall, for SCR

#### **MEMBERSHIP OF SCR**

The members of SCR are:

- Mr. Charles Hall, Chair, Trustee, The Church Corporation
- The Rev. Morgan Allen, Rector, Church of the Good Shepherd, Austin
- Mr. Bob Blakely, Trustee, The Episcopal Health Foundation
- Mr. Sam Dodson, Chair, EDOT Finance Committee
- The Rev. Christine Faulstich, Rector, Epiphany Church, Houston
- Ms. Linda Kelly, Trustee, Episcopal Foundation of Texas
- The Rev. Merrill Wade, Rector, St. Matthews Church, Austin

SCR consulted with Mr. David Harvin, Chancellor, EDOT as part of its work to ensure continued legal compliance with the income tax regulations surrounding compensation.

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

#### **2018 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**

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**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**

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**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):

### **2018 Base Percentage**

### **Total Operating Revenue PF**

<b>UP TO</b>	<b>\$212,000</b>	<b>6%</b>
<b>\$212,001</b>	<b>to</b>	<b>\$320,000</b>
<b>\$320,001</b>	<b>to</b>	<b>\$534,000</b>
<b>\$534,001</b>	<b>to</b>	<b>\$854,000</b>
<b>OVER \$854,001</b>		<b>10%</b>

The four break points have been adjusted annually by an amount equal to the change in Consumer Price Index (CPI), which was 2.1% for the 2018 calculation. Such adjustments to the break points shall be rounded to the nearest thousand dollars.

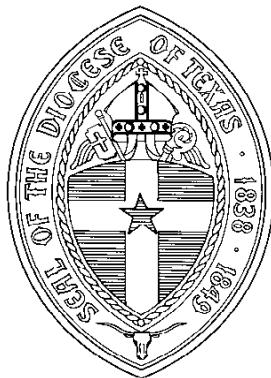
#### **B. Determine the Formula (B) Request (FBR) –**

For 2018 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 2018, the Operating Revenue used was that of 2016.)

**2018 DIOCESAN BUDGET**  
**THE EPISCOPAL DIOCESE OF TEXAS**



**2018 BUDGET**

As Approved by the Executive Board and  
Recommended to the 169th Diocesan  
Council

The Episcopal Diocese of Texas  
2018 Proposed Budget

2016 Budget   2017 Budget   2018 Budget   NOTES

**REVENUES**

<b>Assessments</b>			
Diocesan	\$ 7,230,590	\$ 7,454,875	\$ 7,481,148
Insurance	606,800	473,975	542,849
Less: Allowance for Uncollectible Accounts	(79,174)	(158,577)	(160,400)
<b>Net Assessment Revenue</b>	<b>7,838,216</b>	<b>7,770,273</b>	<b>7,863,517</b>
<b>Foundation Support</b>			
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	50,000		
Episcopal Health Foundation			75,000
<b>Total Foundation Grants</b>	<b>325,000</b>	<b>275,000</b>	<b>350,000</b>
<b>Foundation Overhead Allocation</b>			
Church Corporation	174,624	135,222	169,582
Bishop Quin Foundation	100,483	82,712	97,783
The Episcopal Foundation of TX	127,829	101,115	113,570
Episcopal Health Foundation	431,788	420,227	522,207
Great Commission Fund	140,423	117,559	136,223
St. James' House Foundation		35,000	35,000
Grants in support of Diocesan Reorganization	512,110	881,130	1,001,581
Grant for translation of cultural translation of IWC	45,000		
<b>Total Foundation Overhead Payments</b>	<b>1,532,258</b>	<b>1,772,964</b>	<b>2,075,946</b>
<b>Other Revenues</b>			
IONA Program Revenue	30,000	30,000	78,000
Wellness & Care Revenue	6,000	6,000	1,000
Commission on Ministry Revenue	2,500	6,000	10,000
Congregational Development Revenue	6,000	7,500	
Formation/Youth Event Revenue	110,000	111,500	117,500
Unified Commission Revenues	20,000	14,750	14,750
Recovery Ministries Income	12,000		
Episcopal Service Corps	87,277	81,728	133,636
ERD Relief Grant			125,000
Other Program Revenue	7,000	7,000	7,000
Diolog (TX Episcopalian) Contribution	4,000	2,000	4,000
Bequests and Donations	18,000		
Diocesan Council - hosted by EDOT	116,250	160,000	196,000
IWC Summit Revenues	37,500		
Compass Rose Society Reimbursement	50,000	60,000	75,000
Other Conference Fees	20,000	10,000	10,000
Miscellaneous Income	8,000	285	1,000
<b>Total Other Revenues</b>	<b>534,527</b>	<b>496,763</b>	<b>772,886</b>
<b>TOTAL REVENUES</b>	<b>\$ 10,230,000</b>	<b>\$ 10,315,000</b>	<b>\$ 11,062,349</b>

## EXPENDITURES

<b>OFFICE OF THE BISHOP</b>				
<b>Clergy Compensation</b>				
<b>Clergy Salaries</b>				
Bishop of Texas	197,030	247,030	297,030	RC
Bishop Suffragan - Tyler (Fisher)	104,925	112,920	106,877	RC
Bishop Suffragan - Austin (Harrison)	118,920	124,585	131,088	RC
Assisting Bishop		55,000	104,877	RC, AB
Visiting Bishops	8,000	5,000	2,000	
Canon to the Ordinary (Ryan)	66,500	91,500	116,500	RC
Chief of Staff (Newton)	55,585	75,585	80,528	RC
Secretary of the Diocese (Logan)	6,010	6,290	6,719	
<b>Total Clergy Salaries</b>	<b>556,970</b>	<b>717,910</b>	<b>845,619</b>	
<b>Housing Allowance and Maintenance</b>				
Bishop of Texas	60,000	70,000	70,000	
Bishop Suffragan - Tyler (Fisher)	36,000	36,000	48,000	
Bishop Suffragan - Austin (Harrison)	35,000	38,000	38,000	
Assisting Bishop		15,000	50,000	AB
Visiting Bishops				
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	
<b>Total Housing Allowance and Maintenance</b>	<b>247,000</b>	<b>275,000</b>	<b>322,000</b>	
<b>Pension and Social Security Reimbursement</b>				
Bishop of Texas	72,425	89,110	121,056	
Bishop Suffragan - Tyler (Fisher)	47,750	51,250	60,922	
Bishop Suffragan - Austin (Harrison)	50,525	54,120	65,414	
Assisting Bishop		26,200	60,922	AB
Visiting Bishops	1,440	1,250		
Canon to the Ordinary (Ryan)	44,700	52,605	56,851	
Chief of Staff (Newton)	38,760	46,445	46,658	
Secretary of the Diocese	5,250	5,350	5,507	
Life Insurance		15,272	25,000	RC
Other Defined Contributions			10,000	RC
<b>Total Pension and SS Reimbursement</b>	<b>260,850</b>	<b>341,602</b>	<b>452,330</b>	
<b>Total Clergy Compensation</b>	<b>1,064,820</b>	<b>1,334,512</b>	<b>1,619,949</b>	
<b>Lay Staff Compensation</b>				
Salaries	404,743	407,800	608,042	RO, IN
Pensions	36,427	36,700	54,724	
Employer FICA	30,963	31,200	46,515	
<b>Total Lay Staff Compensation</b>	<b>472,133</b>	<b>475,700</b>	<b>709,281</b>	

**Business and Travel Expense**

Bishop of Texas	80,000	85,000	90,000	
Bishop Suffragan - Tyler (Fisher)	57,500	56,000	60,000	
Bishop Suffragan - Austin (Harrison)	52,500	42,000	42,000	
Assisting Bishop		20,000	45,000	<b>AB</b>
Visiting Bishops	5,000	3,500	12,500	
Canon to the Ordinary (Ryan)	35,000	35,000	35,000	
Chief of Staff (Newton)	20,000	20,000	17,500	
Secretary of the Diocese	1,000	1,000	1,500	
Retired Diocesan Bishops	5,000	5,000	5,000	
Archdeacon and Deacons		6,000	8,000	
Other Business Clergy Travel	500	500		
Business and Travel - Staff	10,000	13,000	18,000	
Episcopal Assistance				
Vehicle Interest				
Vehicle Depreciation	34,700	37,100	36,000	
<b>Total Business and Travel Expense</b>	<b>301,200</b>	<b>324,100</b>	<b>370,500</b>	
 Clergy Conference	 130,000	 100,000	 110,000	
 <b>TOTAL OFFICE OF THE BISHOP</b>	 <b>1,968,153</b>	 <b>2,234,312</b>	 <b>2,809,730</b>	

**CANONICAL EXPENSES**

Diocesan Council	289,500	315,000	321,800	
Historian and Archives	4,000	4,000	10,000	
Bishop Suffragan Election			40,000	<b>EL</b>
Commission on Ministry	55,000	65,000	65,000	
General Convention - Deputies			50,000	<b>GC</b>
General Convention - Hosting Expenses	15,000	25,000		
Executive Board	4,500	8,000	11,000	
Standing Committee	2,000	600	1,200	
Office of the Secretary	1,000	1,000	1,000	
<b>TOTAL CANONICAL EXPENSES</b>	<b>371,000</b>	<b>418,600</b>	<b>500,000</b>	

<b>MINISTRY EXPENSES</b>					
<b>Ministry Staff Compensation</b>					
Salaries, Stipends and Housing	735,075	851,100	802,239		RO, IN
Pensions	87,113	108,900	99,741		
Social Security	71,657	88,900	81,642		
<b>Total Ministry Staff Compensation</b>	<b>893,845</b>	<b>1,048,900</b>	<b>983,622</b>		
<b>Campus Missions</b>					
Waco, Baylor University	60,000	60,000			
Houston, Rice University	105,000	105,000			
College Station, A&M University	180,000	180,000			
Austin, University of Texas	180,000	177,500			
University of Houston	75,000	93,800			
Other Campus Missions	122,000	128,000			
<b>Total Campus Missions</b>	<b>722,000</b>	<b>744,300</b>			CM
<b>Communications</b>					
Dilog	80,000	72,000	24,000		DIO
Communications Department	30,000	16,000	6,000		
Communications Audit		40,000			CA
Translation of outreach materials	45,000				
New Initiatives Marketing and communications			15,000		
Licensing, Training, Social Media, Memberships			8,500		
Conferences, training, travel			5,000		
Video Equipment			700		
Website Redesign			13,000		
Business and Travel	30,000	26,000	25,000		
<b>Total Communications</b>	<b>185,000</b>	<b>154,000</b>	<b>97,200</b>		
<b>Transition Ministry</b>					
Travel & Business - Transition Minister	10,000	10,000	11,000		
Bishop's Fellows			75,000		BF
<b>Total Transition Ministry</b>	<b>10,000</b>	<b>10,000</b>	<b>86,000</b>		
<b>Wellness and Care Ministry</b>					
Business and Travel	15,000	15,000	15,000		
Safe Church (Congregational Wellness /Care)	58,500	60,650	56,000		
Clergy & Family Wellness/Care	10,000	10,000	10,000		
Recovery Ministry	22,000	11,500	6,000		
<b>Total Wellness and Care Ministry</b>	<b>105,500</b>	<b>97,150</b>	<b>87,000</b>		
<b>Other Ministry Expenses</b>					
Interfaith and Ecumenical Work	2,000	1,000	2,500		
Chaplains to the Retired	7,200	7,200	7,200		
Consultant for Schools	2,000	1,500	13,500		
Support for Congregations	70,000	82,000	70,000		
Calling & Moving	50,000	75,000	75,000		
Iona School and Center	135,000	130,000	145,000		
Clergy Training (Clericus, Curates, Cont. Educ. & FTIC)	45,000	45,900	45,900		
Conferences & Clergy Gatherings	0	60,000	73,500		
<b>TOTAL MINISTRY EXPENSES</b>	<b>2,227,545</b>	<b>2,456,950</b>	<b>1,686,422</b>		

<b>MISSION AMPLIFICATION</b>
------------------------------

<b>Mission Amplification Compensation</b>				
Salaries, Stipends and Housing	476,299	583,300	617,666	RO, IN
Pensions	42,867	67,600	79,145	
Employer FICA	36,437	53,400	63,510	
<b>Total Mission Amplification Compensation</b>	<b>555,603</b>	<b>704,300</b>	<b>760,320</b>	
<b>General Mission Amplification expenses</b>				
Business and Travel		56,000	49,000	
Sharing Faith Dinners				
Church Plants and Strategic Development	32,500	26,500	40,000	RO
Congregational Development Consultant			12,000	
Small Conferences	8,000	4,000	13,500	
Newcomer Ministry	9,000	3,000		
New Mission work			6,000	
Invite Welcome Connect Summit	70,000			
Vestry/Leadership Development	20,000	10,000	10,000	
<b>Total General Mission Amplification expenses</b>	<b>139,500</b>	<b>99,500</b>	<b>130,500</b>	
<b>Christian Formation</b>				
Christian Formation	94,000	55,000	55,000	
Unified Commissions Expense	38,010	47,000	47,000	
Youth Ministry	95,000	130,000	132,600	
Episcopal Service Corps	182,132	177,600	167,709	
Business/travel - Other	14,000	16,000		
<b>Total Christian Formation</b>	<b>423,142</b>	<b>425,600</b>	<b>402,309</b>	
<b>Intercultural Development</b>	<b>32,500</b>	<b>30,500</b>	<b>30,500</b>	
<b>TOTAL MISSION AMPLIFICATION EXPENSES</b>	<b>1,150,745</b>	<b>1,259,900</b>	<b>1,323,629</b>	

<b>SERVICE/OUTREACH</b>
-------------------------

Support of the Episcopal Church	961,313	1,221,449	1,327,162	DA - 15%
Support of the Anglican Communion	300,000	300,000	300,000	
Support for the University of the South	8,000	8,000	8,000	
Provincial Synod Assessment	13,500	13,500	13,500	
Millennium Development Goals	71,610	72,205	77,436	0.7% of Rev.
World Mission	35,000	35,000	35,000	
Companion Dioceses	40,000	40,000	40,000	
Disaster Outreach Expense	2,500	3,000	3,000	
Prison & Restorative Justice Missions	40,000	40,000	40,000	
<b>TOTAL SERVICE &amp; OUTREACH EXPENSES</b>	<b>1,471,923</b>	<b>1,733,154</b>	<b>1,844,098</b>	



## **NOTES**

**AT** Assessment - The Diocesan Assessment increased as a result of changes in Parish revenues. There were no formula changes.

**HE** Health Insurance Costs - This assessment amount is net of the \$5 Million grant from the Episcopal Health Foundation to offset these costs. Insurance expense is offset by the Insurance Assessment.

**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.

**RO** Reorganization - Personnel changes related to ongoing reorganization of Diocesan office.

**GC** General Convention - Diocesan Delegation to the 2018 General Convention.

**EL** Bishop Suffragan election - Search Committee and other expenses preceding the upcoming election.

**IO** IONA - Increase is caused by the planned expansion of the program .

**SC** Episcopal Service Corps - Increase is caused by the planned expansion of the program .

**ERD** Episcopal Relief and Development - expected grant to fund Director of Hurricane Recovery.

**CM** Campus Missions - The support to the Campus ministry has been transitioned to The Great commission Foundation and expanded.

**AB** Assisting Bishop - First full year of new Assisting bishop compensation elements.

**BF** Bishop Fellows - Grant to employ clergy in transition supported by the Episcopal Health Foundation

**RC** Remuneration Committee - The Remuneration Sub-Committee of the Diocese recommended enhancements to Office of the Bishop compensation.

**IN** Increases - The Diocese adjusted staff compensation by an average of 3% for 2018.

**CA** Communications Audit - Review was completed in 2017.

**DIO** Diolog - Fewer editions of Diolog are planned in 2018.

**IT** Information Technology - Enhanced Disaster Recovery, use of Cloud and additional software costs.

**DA** Diocesan Asking - The Diocese has reached its goal to meet the TEC asking (15% of revenues) by 2018.

## 2018 DIOCESAN ASSESSMENTS

<u>PARISHES</u>	<u>CITY</u>	<u>2016 OPERATING REVENUES</u>	<u>2018 INSURANCE</u>	<u>2018 DIOCESAN ASSESSMENT</u>
Grace	Alvin	159,742	1,042	9,585
Holy Comforter	Angleton	432,259	2,819	17,514
All Saints'	Austin	1,322,279	8,622	123,501
Good Shepherd	Austin	2,718,025	17,723	271,803
St. Alban's	Austin	379,284	2,473	30,343
St. Christopher's	Austin	195,341	1,274	11,720
St. David's	Austin	2,574,063	16,784	257,406
St. George's	Austin	242,913	1,584	17,004
St. James'	Austin	680,093	4,435	58,293
St. John's	Austin	190,341	1,241	11,420
St. Luke's on the Lake	Austin	915,527	5,970	91,553
St. Mark's	Austin	579,395	3,778	52,146
St. Matthew's	Austin	1,257,611	8,200	125,761
St Michael's	Austin	800,861	5,222	72,077
Calvary	Bastrop	379,348	2,474	29,333
St. Mark's	Bay City	240,651	1,569	16,846
Trinity	Baytown	512,866	3,344	41,029
St. Mark's	Beaumont	881,450	5,747	78,649
St. Stephen's	Beaumont	562,758	3,669	50,648
St. Mary's	Bellville	185,340	1,209	11,120
St. Peter's	Brenham	433,571	2,827	31,961
St. Andrew's	Bryan	518,278	3,379	41,462
Epiphany	Burnet	162,396	1,059	9,744
Christ Church	Cedar Park	224,416	1,463	14,847
St. Francis'	College Station	158,476	1,033	9,509
St. Thomas'	College Station	492,966	3,214	45,910
St. James the Apostle	Conroe	604,429	3,941	54,399
St. Aidan's	Cypress	391,789	2,555	31,343
St. Mary's (Houston)	Cypress	583,740	3,806	52,537
Holy Trinity	Dickinson	269,474	1,757	18,863
Christ Church	Eagle Lake	108,228	706	6,494
St. Paul's	Freeport	41,317	269	2,479
Good Shepherd	Friendswood	481,066	3,137	38,485
Grace	Galveston	252,026	1,643	17,642
Trinity	Galveston	666,245	4,344	59,962
Grace	Georgetown	804,678	5,247	65,368
St. Bartholomew's	Hempstead	39,503	258	3,505

St. Matthew's	Henderson	120,547	786	7,233
Ascension	Houston	468,027	3,052	37,442
Christ Church				
Cathedral	Houston	3,476,740	22,670	347,674
Emmanuel	Houston	614,463	4,007	55,302
Epiphany	Houston	534,595	3,486	48,114
Holy Spirit	Houston	872,244	5,687	87,224
Hope	Houston	170,373	1,111	10,222
Palmer Memorial	Houston	1,883,445	12,281	188,345
San Mateo	Houston	195,180	1,273	13,552
St. Andrew's	Houston	500,251	3,262	32,753
St. Christopher's	Houston	392,060	2,556	31,365
St. Cuthbert's	Houston	752,326	4,906	67,709
St. Dunstan's	Houston	1,183,842	7,719	118,384
St. Francis'	Houston	1,720,473	11,218	172,047
St. James'	Houston	658,992	4,297	59,309
St. John the Divine	Houston	6,646,534	43,339	664,653
St. Luke the Evangelist	Houston	94,899	619	5,694
St. Mark's	Houston	1,122,074	7,316	97,073
St. Martin's	Houston	14,189,825	92,524	1,418,983
St. Stephen's	Houston	1,032,686	6,734	87,959
St. Thomas'	Houston	687,632	4,484	61,887
St. Thomas the				
Apostle	Houston	546,290	3,562	45,454
Trinity	Houston	930,626	6,068	93,063
Christ the King	Humble/Atascocita	258,731	1,687	18,111
St. Stephen's	Huntsville	271,141	1,768	17,260
Trinity	Jasper	85,147	555	5,109
Holy Apostles'	Katy	1,083,651	7,066	108,365
St. Paul's	Katy	382,226	2,492	22,482
St. Christopher's	Killeen	300,262	1,958	21,018
Good Shepherd	Kingwood	1,095,125	7,141	109,513
St. James'	La Grange	328,736	2,144	24,398
St. Timothy's	Lake Jackson	386,186	2,518	30,895
St. Mary's	Lampasas	130,148	849	7,809
St. John's	La Porte	293,201	1,912	20,524
St. Christopher's	League City	516,107	3,365	41,289
St. Stephen's	Liberty	243,758	1,589	17,063
St. Luke's	Livingston	137,745	898	8,265
St. Michael & All				
Angels	Longview	151,224	986	9,073
Trinity	Longview	627,126	4,089	56,441
St. Cyprian's	Lufkin	561,488	3,661	50,534
Trinity	Marble Falls	408,971	2,667	32,718

St. John's	Marlin	49,206	321	2,952
Trinity	Marshall	450,181	2,935	36,014
St. Catherine of Sienna	Missouri City	364,510	2,377	29,161
Christ Church	Nacogdoches	498,106	3,248	38,112
St. Paul's	Navasota	90,776	592	5,447
St. Philip's	Palestine	232,438	1,516	16,271
St. Andrew's	Pearland	531,397	3,465	42,512
Holy Trinity	Port Neches	219,322	1,430	14,215
St. Francis of Assisi	Prairie View	68,779	448	4,127
Calvary	Richmond	575,578	3,753	50,681
St. Mark's	Richmond	399,104	2,602	23,135
St. Richard's	Round Rock	589,008	3,841	42,085
St. John's	Sealy	73,097	477	4,386
Holy Comforter	Spring	401,406	2,617	25,739
All Saints'	Stafford	286,157	1,866	20,750
Holy Cross	Sugar Land	866,002	5,647	38,647
Christ Church	Temple	442,053	2,882	35,364
St. Francis'	Temple	304,071	1,983	21,285
St. George's	Texas City	164,147	1,070	9,027
Good Shepherd	Tomball	356,264	2,323	28,035
Trinity	The Woodlands	1,414,059	9,220	141,406
Christ Church	Tyler	1,563,227	10,193	156,323
St. Francis'	Tyler	215,249	1,404	15,067
Holy Spirit	Waco	303,434	1,979	20,929
St. Alban's	Waco	596,426	3,889	47,205
St. Paul's	Waco	1,225,921	7,994	122,592
St. Mary's	West Columbia	236,742	1,544	13,530
St. Thomas'	Wharton	238,944	1,558	16,726
<b>TOTAL PARISHES</b>		<b>80,253,446</b>	<b>523,293</b>	<b>7,256,292</b>

## MISSIONS

Trinity	Anahuac	40,934	200	2,456
Resurrection	Austin	211,852	1,036	13,173
San Francisco De Asis	Austin	29,327	143	3,869
St. Julian of Norwich	Round Rock	252,529	1,235	11,393
Epiphany	Calvert	30,799	151	1,102
All Saints'	Cameron	135,910	665	4,395
St. John's	Carthage	51,110	250	3,067
St. John's	Center	41,962	205	2,405
St. John's	Columbus	34,191	167	2,051
St. Martin's	Copperas Cove	60,732	297	3,493
All Saints'	Crockett	30,665	150	1,840

St. Augustine of Hippo	Galveston	35,905	176	3,189
St. Philip's	Hearne	14,545	71	319
All Saints'	Hitchcock	41,500	203	2,490
Christ the King	Houston (Alief)	154,178	754	9,251
Grace (St. Geo & Pats)	Houston	198,588	971	13,664
Lord of the Streets	Houston	558,409	2,731	4,710
Redeemer	Houston	96,387	471	5,783
St. Paul's & San Pablo	Houston	98,941	484	5,936
Santa Maria Virgen	Houston	170,800	835	12,652
St. Alban's	Houston	81,313	398	6,788
St. Barnabas'	Houston	61,114	398	3,667
St. Timothy's	Houston	123,261	603	9,113
Trinity	Jacksonville	54,247	265	3,255
Christ Church	Jefferson	48,395	237	2,904
St. Paul's	Kilgore	67,627	331	4,226
St. Peter's	Lago Vista	63,640	311	3,818
Church of the Cross	Lakeway	79,027	386	7,649
St. Michael's	La Marque	169,163	827	10,150
St. Paul's	Leigh	12,229	60	734
St. Luke's	Lindale	58,592	287	3,516
Holy Innocents'	Madisonville	20,706	101	1,242
St. Mary Magdalene	Manor	31,441	154	7,216
Christ Church	Matagorda	30,490	149	1,829
Christ Church	Mexia	50,362	246	2,731
St. Paul's	Orange	87,077	426	6,238
St. John's	Palacios	30,393	149	1,129
St. Peter's	Pasadena	150,005	734	14,098
St. Paul's	Pflugerville	51,922	254	3,115
St. Thomas'	Rockdale	36,790	180	2,207
St. Joseph's	Salado	78,068	382	4,684
Christ Church	San Augustine	74,924	366	3,365
St. John's	Silsbee	101,744	498	6,105
St. James'	Taylor	51,353	251	3,081
St. John the Baptist	Tyler	19,808	97	1,430
St. Paul's	Woodville	55,474	271	3,328
<b>TOTAL</b>				
<b>MISSIONS</b>		<b>3,978,429</b>	<b>19,556</b>	<b>224,856</b>
<b>TOTAL</b>		<b>84,231,875</b>	<b>542,849</b>	<b>7,481,148</b>

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT FOR THE  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**The Episcopal Diocese of Texas**

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

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# Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2016 and 2015 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, 2016 and 2015 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 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, 2016 and 2015

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**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts payable and accrued expenses	\$ 335,794	\$ 169,267
Due to Diocesan operating entities	59,876	23,285
Funds held for parishes and missions	55,913	64,372
Deferred revenue	90,158	51,841
Grants payable		100,881
Note payable ( <i>Note 3</i> )		<u>350,000</u>
 Total liabilities	<u>541,741</u>	<u>759,646</u>

**Commitments (*Note 7*)**

**Net assets:**

Unrestricted	789,672	472,456
Temporarily restricted ( <i>Note 4</i> )	<u>71,271</u>	<u>37,909</u>
 Total net assets	<u>860,943</u>	<u>510,365</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 1,402,684 \$ 1,270,011

**2016** **2015**

**ASSETS**

Cash	\$ 205,323	\$ 60,629
Assessments and other receivables:		
Diocesan operating entities	440,875	223,858
Parishes and missions	302,657	487,178
Other	3,054	99,727
Prepaid expenses	110,059	100,128
Property, net ( <i>Note 2</i> )	<u>340,716</u>	<u>298,491</u>
 TOTAL ASSETS	<u>\$ 1,402,684</u>	<u>\$ 1,270,011</u>

*See accompanying notes to financial statements.*

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**The 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, 2016

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	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>REVENUE:</b>			
Diocesan assessments of parishes and missions	\$ 7,837,016		\$ 7,837,016
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the Dioceses of Texas	436,265		436,265
The Episcopal Health Foundation	550,580		550,580
The Bishop Quin Foundation	377,124		377,124
Episcopal Foundation of Texas	234,470		234,470
The Great Commission Foundation	247,070		247,070
Contributions	\$ 112,303		112,303
Program fees	<u>479,507</u>		<u>479,507</u>
Total revenue	10,162,032	112,303	10,274,335
Net assets released from restrictions:			
Program expenditures	<u>78,941</u>	<u>(78,941)</u>	
Total	<u>10,240,973</u>	<u>33,362</u>	<u>10,274,335</u>
<b>EXPENSES:</b>			
Diocesan clergy and lay salaries and related benefits	4,467,618		4,467,618
Outreach and service	1,596,627		1,596,627
Diocesan programs	1,562,671		1,562,671
Diocesan center operations	1,232,731		1,232,731
Administrative support for congregations	562,744		562,744
Travel, business, and continuing education	<u>501,366</u>		<u>501,366</u>
Total expenses (Note 6)	<u>9,923,757</u>		<u>9,923,757</u>
CHANGES IN NET ASSETS	317,216	33,362	350,578
Net assets, beginning of year	<u>472,456</u>	<u>37,909</u>	<u>510,365</u>
Net assets, end of year	<u>\$ 789,672</u>	<u>\$ 71,271</u>	<u>\$ 860,943</u>

*See accompanying notes to financial statements.*

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**The 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>
<b>REVENUE:</b>			
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	<u>725,864</u>		<u>725,864</u>
Total revenue	9,293,169	109,643	9,402,812
Net assets released from restrictions:			
Program expenditures	<u>190,153</u>	<u>(190,153)</u>	
Total	<u>9,483,322</u>	<u>(80,510)</u>	<u>9,402,812</u>
<b>EXPENSES:</b>			
Diocesan clergy and lay salaries and related benefits	3,927,124		3,927,124
Outreach and service	1,456,032		1,456,032
Diocesan programs	2,102,577		2,102,577
Diocesan center operations	1,135,622		1,135,622
Administrative support for congregations	505,696		505,696
Travel, business, and continuing education	<u>508,522</u>		<u>508,522</u>
Total expenses <i>(Note 6)</i>	<u>9,635,573</u>		<u>9,635,573</u>
CHANGES IN NET ASSETS	(152,251)	(80,510)	(232,761)
Net assets, beginning of year	<u>624,707</u>	<u>118,419</u>	<u>743,126</u>
Net assets, end of year	<u>\$ 472,456</u>	<u>\$ 37,909</u>	<u>\$ 510,365</u>

*See accompanying notes to financial statements.*

**The 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 350,578	\$ (232,761)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	135,165	113,262
Provision for uncollectible accounts	79,174	75,000
Changes in operating assets and liabilities:		
Assessments and other receivables	(14,997)	(509,251)
Prepaid expenses	(9,931)	246,572
Accounts payable and accrued expenses	166,527	25,580
Due to Diocesan operating entities	36,591	(21,967)
Funds held for parishes and missions	(8,459)	22,308
Deferred revenue	38,317	(196,175)
Grants payable	<u>(100,881)</u>	<u>19,912</u>
Net cash provided (used) by operating activities	<u>672,084</u>	<u>(457,520)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property	(177,390)	(93,197)
Proceeds from disposal of assets	<u>15,000</u>	<u>15,000</u>
Net cash used by investing activities	<u>(177,390)</u>	<u>(78,197)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances on note payable	200,000	450,000
Payments on note payable	<u>(550,000)</u>	<u>(107,726)</u>
Net cash provided (used) by financing activities	<u>(350,000)</u>	<u>342,274</u>
<b>NET CHANGE IN CASH</b>		
Cash, beginning of year	60,629	254,072
Cash, end of year	<u>\$ 205,323</u>	<u>\$ 60,629</u>

*See accompanying notes to financial statements.*

**The 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, 2016 and 2015

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization – Episcopal Diocese of Texas (EDOT) is an operating unit 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:

- *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 and certain lay employees throughout the Diocese.
- *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 Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies 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 Bishop Quin Foundation (BQ)* was created in 1943 to commemorate the 25<sup>th</sup> 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.
- *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 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 of operating revenues 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. There are no grants payable at December 31, 2016.

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, 2016 and 2015, management estimates that approximately 78% and 79% of expenses were attributable to program services and 22% and 21% 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.

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) 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. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017 but early adoption is permitted. Management is reviewing the impact on the presentation and disclosures in the financial statements and a planned date of adoption.

## NOTE 2 – PROPERTY

Property consists of the following:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures and equipment	\$ 776,887	\$ 599,497
Vehicles	<u>222,200</u>	<u>222,200</u>
Total property, at cost	999,087	821,697
Accumulated depreciation	<u>(658,371)</u>	<u>(523,206)</u>
Property, net	<u>\$ 340,716</u>	<u>\$ 298,491</u>

## NOTE 3 – NOTE PAYABLE

EDOT has a \$1,000,000 line of credit with a bank with an interest rate of prime less 0.75% and a 2.8% floor (2.8% at December 31, 2016), expiring in October 2017. The line of credit is guaranteed by Church Corporation. At December 31, 2016, there was no balance outstanding. The balance at December 31, 2015 was \$350,000.

## NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships and missions	\$ 62,638	\$ 20,296
Other	<u>8,633</u>	<u>17,613</u>
Total temporarily restricted net assets	<u>\$ 71,271</u>	<u>\$ 37,909</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 are 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 2016 and 2015, EDOT recognized assessments to the Plan totaling approximately \$247,000 and \$217,000, respectively.

The funding positions of the Plan as of March 31, 2016 and 2015 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>2016</u>	<u>2015</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 8,300,861,000	\$ 8,358,801,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,715,978,000)</u>	<u>(6,937,803,000)</u>
Surplus	<u>\$ 1,584,883,000</u>	<u>\$ 1,420,998,000</u>
Funding percentage	124%	120%

### *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 \$150,000 and \$140,000 to this plan in 2016 and 2015, respectively.

#### **NOTE 6 – RELATED ENTITY TRANSACTIONS**

EDOT provides support to parishes, schools, missions, and other Diocesan entities. During 2016 and 2015, EDOT expended approximately \$687,000 and \$728,000 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 those facilities totaling approximately \$356,000 and \$386,000 during 2016 and 2015, respectively. EDOT recognized expenses provided by FSC for administrative support totaling approximately \$334,000 and \$284,000 during 2016 and 2015, respectively, and for clergy health costs totaling approximately \$305,000 and \$275,000 for 2016 and 2015, respectively. EDOT paid EFT \$75,000 for rent expense in 2016 and 2015. 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. The office space for the Tyler Diocesan offices is leased from EFT through April 30, 2026, at a rate of approximately \$15,000 per year. Future minimum lease payments are as follows:

2017	\$ 136,310
2018	128,560
2019	116,332
2020	92,458
2021	82,891
Thereafter	<u>543,246</u>
 Total minimum lease payments	 <u>\$ 1,099,797</u>

Rental expense for 2016 and 2015 was \$131,000 and \$120,000, respectively.

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#### **NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 8, 2017, 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 eleven 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
8. Anthem BCBS BlueCard PPO 90
9. Anthem BCBS BlueCard PPO 80
10. Anthem BCBS BlueCard PPO 70
11. Anthem BCBS CDHP -20

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 active diocesan clergy are flat, there are no increases for 2018. Parishes and institutions health insurance cost will rise by 6.47% for 2018. This increase is less than the average for premium increases across the United States. Our Insurance Task Force held a meeting on September 13, 2017, to look at these changes in more detail and will make recommendations to the Executive Board prior to year-end.

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 2018 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 call or email Zee Turnbull, Human Resources/Benefits Administrator, at 713-353-2120 or 800-318-4452, ext. 2120, [zturnbull@epicenter.org](mailto: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

clergy-person 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 employees. Retired clergy or clergy person with 25 years of credited service will continue to receive \$100,000 of life insurance. We 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, 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 65. 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, they 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 may apply at the 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 65 and terminates at age 70.

For more information, please call or email Zee Turnbull, Human Resources/ Benefits Administrator at the Diocesan Center at 713-353-2120 or 800-318-4452, extension 1012, [zturnbull@epicenter.org](mailto:zturnbull@epicenter.org).

Linda Riley Mitchell, CFO

## PENSIONS

Pensions are provided to the clergy through participation in the Church Pension Fund. This is funded by monthly contributions based on the compensation of clergy in each parish. Parishes are responsible for making monthly contributions timely. 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.

The Pension Fund's total net assets for the year ended March 31, 2017, were over \$12.1 billion representing an increase which totaled \$187.4 million as compared to March 31, 2016. These assets are still in excess of the required reserves by over \$1.40 billion. The Fund investments have a moderate return during this fiscal year. The Pension Fund paid out a total of \$377 million in pensions and other benefits during fiscal 2016.

The following table delineates the beneficiaries receiving benefits in each of the two fiscal years, each ending March 31:

<u>Beneficiaries</u>	<u>2017</u>	<u>2016</u>
Retired Clergy		
Normal Retirement	4,029	3,914
Early Retirement	3,612	3,606
Disability Retirement	445	447
Surviving Spouses	<u>2,701</u>	<u>2,681</u>
<b>TOTAL</b>	<b>10,787</b>	<b>10,648</b>

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 clergy'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. Monthly Pension assessment statements are issued by the Church Pension Fund and are based upon information on file. For questions or information, contact the Church Pension Group is 866-802-6333 or Zee Turnbull at 713-353-2120 or [zturnbull@epicenter.org](mailto:zturnbull@epicenter.org).

Linda Riley Mitchell, CFO

## PROPERTY INSURANCE

Nearly all congregations within the Diocese hold property and casualty and personal property insurance with the Church Insurance Company of Vermont 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.

It is recommended to perform 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.

Note that, effective August 1, 2017 flood coverage now encompasses a \$1,000,000 maximum limit, which is the minimum coverage to carry for flood. 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@cpg.org](mailto:JScheffler@cpg.org) You may also contact Jonathan Blaker in our offices at 713-353-2134 or [jblaker@epicenter.org](mailto:jblaker@epicenter.org).

Linda Riley Mitchell, CFO

## COMMITTEES AND BOARDS CREATED BY CANON

### AUSTIN CONVOCATION

#### 2017 Programming of the Austin Convocation

Beginning in the fall of 2016, the Austin Convocation began meeting 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 intended this reorganization to increase participation and enhance collaboration, and we have had mixed success with this goal. Initial reflections suggest that two deaneries, rather than three, might be the better answer for our challenges.

In the fall of 2017, the Convocation most often convened as a whole in response to Hurricane Harvey. The Convocation focused its collective attention on Saint James-La Grange, and the surrounding area of Fayette County, while also offering support to the greater Houston area. The customary communications of the Convocation provided an instrument for consolidating appeals and opportunities, effectively matching resources with need.

In 2018, we look forward to discerning as a whole what our best organization might be, as well as continuing to serve our area and the larger Diocese.

Morgan S. Allen, Dean

### **CENTRAL CONVOCATION**

Saint Peter's, Brenham saw the departure of the Rev. David Ottsen as rector upon his retirement. The Rev. Ken Fields is serving as interim.

Saint Andrew's, Bryan celebrated the 150<sup>th</sup> anniversary of the founding of the congregation in Bryan. The anniversary celebration activities included a birthday party in the parking lot during downtown Bryan's First Friday event; a service of evensong commemorating the faithful departed, especially the founders; an organ concert featuring music through the decades; a luncheon; and a visit by Bishop Doyle on the anniversary of the founding of the congregation.

Saint Francis', College Station said good-bye to their rector, the Rev. Dean Lawrence, when he was called to serve as an assistant at Good Shepherd in Austin.

Saint Thomas', College Station called the Rev. Angela Cortinas as their rector and she began her ministry there in August.

This year Holy Innocents in Madisonville hosted a blessing of the animals with First United Methodist Minister and St. Elizabeth's Ann Seton Catholic Church. Holy Innocents continues to assist with the Restoration Community Gardens Project in Madisonville. Each year the project helps youth learn gardening skills and the value of protecting our earth and holds an annual Christmas party.

Daryl T. Hay, Dean

### **EAST HARRIS CONVOCATION**

The East Harris Convocation gathers on the fourth Thursday of each month at St. James, Houston. With the help of our facilitator, Sharon Carol, the members of this group provide support for one another.

At each meeting, we check in regarding our parish ministries and our personal lives. In the aftermath of Hurricane Harvey, this group was vital for providing information, resources, and listening ears. As a response to the storm, a church in Georgia sent Saint James' a donation of over \$2000 in gift cards, and we distributed some of the cards among the group members to enable them to respond to any request that came up.

Bishop Doyle visits this group every November. With the arrival of Bishop Monterosso in the diocese, we intend to invite him to visit with us as well.

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 rotate meeting locations in our large geographical region which affords us an opportunity to experience each other's ministry settings. July, the 7<sup>th</sup> month of the year, continues to be our Sabbath month during which we do not meet. This year the clericus chose to begin its gatherings with a 10-minute tour of the host church followed by a Lambeth Bible Study and occasionally a presentation on a desired topic.

TRINITY, GALVESTON, has had a year of great opportunity and joy. We continue to restore our historic Eaton Hall, and anticipate completion in the very near future! The Rev. Ed Thompson has joined us as Associate Rector, and Mr. Mark Ravelli has joined

us as Head of Trinity School.

GRACE EPISCOPAL CHURCH, GALVESTON has had a full 2017! Spring was a time of celebrations: new formation initiatives including Living Compass wellness groups and a day of Aging with Grace, continued expansion into the community with a focus on partnerships with Alcohol and Drug Abuse (ADA) Women's Center and Galveston Police Department, and the completion (with no debt!) and rededication of the Bell Tower. In the summer we welcomed The Rev. Bob Flick who supplied and cared for Grace while I was on sabbatical. This fall, like for many, Harvey hit many of our parishioners hard and impacted our buildings and property significantly. Like many, we stepped up to the plate in relief and anticipate a long partnership in recovery. We are grateful to have received so much and we are grateful for the opportunity to give so freely. We are dreaming and visioning for the future as we endeavor to continue to live into our mission: "Through the grace of God to help each person experience God's love and guidance."

ST. THOMAS THE APOSTLE EPISCOPAL CHURCH AND SCHOOL, NASSAU BAY invites all to join us as we follow the example of Christ in Welcoming all into the community of Christ; Worshiping in the dynamic Episcopal tradition; Learning the Christian faith, and; Serving our neighbors and the world. In 2017, we enriched our Worship with the completion of columbarium chapel, complete with three parishioner-designed-and-built stained glass windows depicting St Thomas, Christ the Good Shepherd, and the Holy Spirit and celebrated a number of festal eucharists, including a Zydeco Fat Tuesday, Bagpiped St George's Day with a bread dragon, and mariachi-led Dia de los Muertos. Ash Wednesday drive through grew and we blessed pets in partnership with Bay Area Unity in a neighborhood Park. We expanded our Welcome by chartering a new cub scout pack, number 1965, and through community funerals and receptions, membership in League City Rotary, coordinating a community pet blessing, and a mobile house blessing in the 4<sup>th</sup> of July parade, and by extending the range and frequency of our now quarterly newcomer's luncheons. In addition to learning about forgiveness in theology and practice, we began a 34-week intensive Disciple Bible study with ¼ of our parish, hosted panels ranging from hurricane insurance recovery to a Me Too panel on harassment and response, and studied practices that form our Episcopal Identity. 2017 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 95 pairs of shoes to chronically homeless families on Maundy Thursday, more than 5 cubic yards of hurricane shelter relief materials; coordinated the mucking of more than 20 homes and neighborhood parks; 120 backpacks filled with school supplies and new shoes and over 65 Thanksgiving food bags and gift cards to a local title 9 school; and raised more than \$15,000 for local hurricane Harvey relief through our annual fall festival, 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 52 years and is looking forward to opportunities to be Good News.

HOLY TRINITY, DICKINSON has grown in its resilience amidst change through two major events, one planned and one unplanned. The intentional transformation involved updating our 87<sup>th</sup> annual Strawberry Festival which produced exceptional results and financial gifts to area nonprofits. The unplanned change was brought to our doorstep

by Hurricane Harvey whose floodwaters affected 80% of Dickinson households. Rescue boats were launched from our front lawn, but the church and ancillary buildings remained dry. As soon as access roads were passable (by car) we set up facilities on our campus for Faith Lutheran Church and MI Lewis Social Services Center, both of which suffered extensive damage from high floodwaters and will be with us at least through January 2018. We served as a POD (point of distribution) for supplies brought to Dickinson by our generous sister churches and heretofore unknown organizations and individuals from afar. Holy Trinity staff and volunteers swiftly provided assistance to flooded members and neighbors while also initiating cooperative relationships with local and national disaster recovery organizations and area nonprofit agencies. Holy Trinity is a founding member of the Galveston County Long Term Recovery Group (LTRG) which meets weekly on our campus and is the FEMA-recognized Harvey recovery agency for Galveston County. Holy Trinity's contributions to the LTRG include forming relationships with potential partners, communications, technology, and convening community advocacy gatherings.

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 September and May. 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, 2016 and 2017, the following notable things have occurred:

- We have created the <https://www.facebook.com/NortheastConvocation/> Facebook page! So far we have had the background photo alternating images of the various churches in the area. We have also been faithful in placing upcoming events for the whole convocation to see.
- Celebrated Christmas together at Bishop Fisher's home. Thank you for your hospitality!
- Denise Treveño-Gomez, the Missioner for Intercultural Development joined us to present and answer questions concerning Intercultural Development.
- The Rev. Ashley Cook became Campus Missioner for Stephen F. Austin in Nacogdoches.
- The Rev. Jane Barker was Ordained Priest.
- We met with Bishop Doyle in May.
- The Rev. Ryan Mails joined to convocation as part-time deacon-in-charge St. Michael's and All Angels, Longview, and part-time east Texas Missioner.
- The Rev. Debbie Daigle joined to convocation as Vicar at St. John's, Tyler.
- The Rev. Frank Hughes joined to convocation as Interim Rector at Trinity, Longview.
- The Rev. Kevin Wittmayer transitioned from being Rector at Trinity, Longview, to Chaplain at All Saint's Episcopal School, Tyler.
- The Rev. M.L. Agnew retired. Thank you so very much for your faith service!

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 including lunch and presentations by various clergy, diocesan representatives, and Bishops. The Rev. Ray Waldon joined the group this year as he answered a call to St. Paul's in Waco. The Rev. Brad St. Romain transitioned as rector of St. Francis, Temple to work in New Orleans.

### **St. Alban's Waco:**

It's been an incredible year at St. Alban's Waco. Three words sum up the year: Growth, Service, Transition, Vision.

- **Growth:** After several years of solid growth, our main service at 10:00 AM was full. As a result, on March 19, we went to three services: 7:30 AM (Rite I spoken), 9:00 AM (Rite II Choral), and 11:15 AM (Rite II Choral). Since that time, we have seen our attendance increase by over 25%, from an average of 186 to 234 on a Sunday.
- **Service:** We had four members begin weekly mentoring of incarcerated youth at a facility in Mart through reVision; we participated in Mission Waco's "Biker Toy Drive"; we volunteered at The Cove (a center for homeless teens); we served food and volunteered at Cedar Ridge Elementary, our "Adopt-a-School" partner in Waco ISD; we sent supplies and financial assistance to our sister parish of All Saints, Nambiti, Malawi, which allowed them to buy 10 new bee hives (producing revenue for the parish) and a plot of land to build a new church.
- **Transition:** We welcomed New Zealand native Eugene Lavery to our staff as Director of Music; under his leadership, the music program has reached new heights. We also hired a new Director of Children's Ministry, Aaron Everic, to oversee our growing children's ministry. Finally, we gladly welcomed the Rev. Neal McGowan as our curate in July. Our team is a joy to work with.
- **Vision:** We are looking ahead and taking steps to secure our future ministry in Waco. Having launched a capital campaign in 2016, we now have gifts and pledges totaling \$3.4 million. We have acquired the last two lots on our block which we did not own, securing our location and providing room for future growth. We are looking to break ground on a new Parish Hall and major campus renovation in summer 2018.

I am grateful for the joy, faith, support, and generosity of this incredible congregation. Our mission statement is "To proclaim to all, in word and deed, the grace of God in Jesus Christ." By his grace, we will continue this good work for generations to come.

### **Holy Spirit, Waco**

In 2017, Holy Spirit Episcopal Church started planting seeds for the congregation of 2027. We have focused on maintaining momentum on our master plan (breaking ground in October), inviting and welcoming our next congregation well, passing the torch to our next congregation, identifying and supporting the ministry of our members, and walking confidently into the parish's future. In September, we fed over 400 first responders in our community and then hosted our first "Celebration of Caring" where we invited the neighborhood to join us for lunch while we spotlighted the area charities in which our

congregation volunteers. "Planting seeds" is our theme, and since July we have already started to see signs of Spring. Eight families have joined the parish, and we have started work to launch a third service in September 2018.

### **St. Christopher's, Killeen:**

St. Christopher's continues to quickly welcome and include those who come to live and serve in our Fort Hood area, and prayerfully blesses those who must move. This has been a year of especially high movement out of the area, resulting in the loss of about ¼ of our active parishioners. It appears that movement back to the area is beginning so we hope to welcome more to this flexible family in 2018.

During the past year, we completed the replacement of our lighting with energy efficient fixtures, added a Bingo ministry at a local nursing home, revitalized our shipments to soldiers deployed and completed our first Walking the Mourner's Path program. Once again we shared a lively vacation Bible School with St. Martin's, Copperas Cove, and remained the host parish for Mission: Honduras. We continue to support ten diverse outreach ministries, this year adding the Greater Killeen Free Clinic to Honduras Good Works, AWARE Central Texas, Hope Pregnancy Center, Families in Crisis, Habit for Humanity, the Christian Assistance Network, our Preschool tuition assistance fund, the Food Care Center, Camp Allen, and the Angel Tree. We celebrated the graduations of two seminarians from the Seminary of the Southwest and sent a second student to study for the diaconate at the Iona School. We give special thanks for the Rev. David Hoster who served our parish during the rector's sabbatical. In all of the change around us, St. Christopher's Episcopal Church and Preschool remain faith-full and ready for all that God shows us in the year to come.

### **St. Paul's, Waco**

St. Paul's Episcopal Church and Day School called The Very Rev. Raymond Joe Waldon, Dean of the Cathedral in Salt Lake City as its new Rector in June. The school called M'Lissa Howen as the new Head of Schools. Since his arrival, Rev. Waldon has initiated several new projects including preparations to launch a professional social media presence in January of 2018. One of this year's highlights were the outreach efforts culminating in the feeding of over 350 needy during Thanksgiving. Attendance is up at Sunday services and 24 people were confirmed this year. The children and youth programs are growing with an almost full capacity Disciples Camp in June. In addition, formation opportunities including a women's retreat for the wider community and neighborhood bible studies were introduced. The Vestry has been working on transparency with the congregation on how ministry and mission is funded. Truly, this is an exciting time to be a member of St. Paul's Episcopal Church and Day School in beautiful downtown Waco.

### **St. Martin's Copperas Cove**

St. Martin's extended its outreach program this year to including partnering with LULAC (League of United Latin American Citizens) in hosting certified citizenship classes to current green card holders seeking citizenship. The class graduated 27 students from six countries. St. Martin's was thrilled to provide two scholarships (\$725.00 each) for students applying to take the citizenship exam.

Building renovations in 2016 included changing 1/3 of lighting fixtures to LED bulbs, and replacing four thirty-year-old HVAC units.

St. Martin's continues to support a vibrant children's ministry which brings in a broad spectrum of families from Copperas Cove, Gatesville, and Ft. Hood. Our mission to "Share God's Love and Grace with our Neighbors" remains our main focus.

### **St. Thomas, Rockdale**

St. Thomas in Rockdale has gone through several improvements this year. The brick has been cleaned and the bright red trim and doors make it very appealing. The inside of the church has been rearranged and is welcoming to all who come to pray with us. St. Thomas is in its 139th year of being a sacred place of worship.

Janice Jones, 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, a "Check-in" concerning happenings over the past month, offer encouragement, collegiality, and support to our members, and engage in conversation relevant to our life and ministry.

This past year we have hosted several guests from the Diocesan Office as well as the Pastor and lay leaders from Saint Thomas Episcopal Church, Spirit Lake Reservation.

We meet in several of the parishes during the year with every other month holding the meeting at Trinity, The Woodlands (the most central location within the convocation). On the alternating months, we travel to host parishes and enjoy their hospitality and have the opportunity to see other facilities 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 (2017) include:

- The Rev. Deacon Warren Miedke retired from active deacon duties on October 15, 2017'
- The Rev. Brian Tarver left Saint Dunstan as Curate to accept a call to be the Rector of St. Philip's, Beeville (Diocese of W. Texas).
- The Rev. John Soard was appointed by Bishop Doyle to be vicar for a new church plant in northeast Houston in the Summer Creek area on September 1.
- The Rev. Margaret Williams is interim rector of Holy Trinity, Port Neches
- The Rev. Frank Samuelson was placed as Curate at Trinity, The Woodlands

Any mistake or omission to this list is the responsibility of the Dean.

Gerald Sevick, Dean

### **SOUTHEAST CONVOCATION**

#### **St. Mark's Beaumont**

1917 had been a year of change for St. Mark's as both a new Rector and new Curate completed their full first year. Each brought their own talents and insights for enriching the life of the congregation while maintaining some of the well-known traditions. The Annual Chili Supper and Bazaar celebrated its 75<sup>th</sup> year, a popular event for the community at large while raising considerable funds in to support a number of social

ministries in the Beaumont area. The proceeds of our Treasure House also support outreach in our community. Our Friday Morning Ministry continues to serve the homeless with a hot breakfast and distribution of food packages. As a downtown church we receive numerous requests for aid. All of these activities are managed by our Outreach Director. Along with the other churches in Southeast Texas we were affected by Hurricane Harvey – members of the congregation were flooded out of their homes, others were without power, and a for a brief period without water. Some 70+ volunteers from the Red Cross were housed in our gym while engaged in serving the needs of those throughout the city in clean up operations and restoration.

The church buildings were not damaged, however, but under the direction of the Curate many church volunteers provided assistance to those who were out of their homes.

Life is slowly returning to normal and we look forward to the conclusion of what has been an eventful year.

### **St. John's Silsbee**

St. John's faithfully serves the communities of Hardin County spreading the good news of the Gospel. We are completing our 63rd year of ministry under the leadership of the Reverend John Johnson. It has been an eventful year for our entire convocation. Fortunately, Silsbee proper did not suffer extensive damage from Hurricane Harvey. With so much devastation to our south in Lumberton and Beaumont, our parish offered assistance to Hardin County and Team Rubicon, a veterans organization. We were able to furnish the local evacuation shelter with tables and chairs. Some of our parishioners volunteered at the shelter as well as lending aid to one of our families living on Village Creek who suffered extensive damage.

Regarding worship, we have had a very diverse year! Pastoral leader intern Elizabeth Miller has learned much from Fr. John along with our always receptive congregation. We have opened those beautiful, less frequented parts our Book of Common Prayer: from a seasonal shift in Advent to Rite I and changing Eucharistic prayers to an Instructed Eucharist in the spring. We also have a Wednesday bible study and Morning Prayer service that is in its second year. Our DOK members lead us in the Prayers of the People each week in addition to keeping our entire membership lifted in prayer. In Lent, we enjoyed weekly soup dinners with the Living Compass series emphasizing heart, soul, strength and mind and ended by writing our own parish prayer.

St. John's ECW continues to be an integral part of our church and always gives in many ways, whether it is celebrating our church secretary's newborn baby or donating to four families who suffered loss from the hurricane. Local parish outreach includes ongoing participation in the Meals on Wheels Program and the Hardin County Christian Caring Center. We are continuing our annual CCC Angel Tree program to provide gifts this Christmas for children in need. We also remain a meeting space for the local 12 step group and the Samaritan Counseling Center. Our church is characterized by people who are warm, welcoming, and always eager to reach out in the name of Christ. We are enthusiastic about the possibilities that await us to live out our call to ministry for the Kingdom in 2018.

### **Trinity, Anahuac**

Trinity Episcopal Church - Anahuac continues in its 77th year of ministry to be an active presence in Chambers County and beyond. Each Sunday we worship together to

refresh God's spirit-filled love in our hearts, minds, and souls, then carry His message through our week's fellowship, prayer, and outreach to those in need.

We thank God for His saving grace during 2017 and press on in hope to shoulder His work in our surrounding communities as we collectively recover from Hurricane Harvey. In light of those outreach needs, we've accelerated our active support of area outreach ministries, including back-to-school funding for local students and at-risk programs in local schools, the Senior Meals on Wheels program and the Mid-Chambers County Christian Caring Center, which feeds, clothes and provides other services to those in need.

As fall arrives, we are participating in an ecumenical Trunk 'n Treat as well as a ministerial alliance repair & rebuild program. Our annual Seafarers' Ministry shoeboxes are underway for December delivery.

Our members are also contributing to the work and funding of the Chamber County Long-Term Recovery Organization for the area. We have been examining everything from improving the outward presentation and functionality of our campus to exploring new outreach avenues to bring others to Christ. The new diocesan Missioner for Missional Communities, Jason Evans, met with us to help us discover and discuss what God is up to in our midst. Our parish hall continues to be available to community organizations and agencies as a center for training, education, community information, and youth activities. We are looking forward to our next episcopal visit in March 2018.

### **St. Stephen's, Liberty**

The Year of Our Lord two thousand seventeen has been a year of growth, renewal, re-focus, and re-vitalization. We have continued to see new families at our doors, more children in our midst, and our Sunday School classrooms are once again filled with the delightful chatter of children, as guitar playing and singing echoes down the hallways. The only Episcopal parish in Liberty County continues to be active in outreach and community service as we strive even harder to be the hands and feet of Christ to all. The unwelcome visit from Hurricane Harvey hit our area hard, and although our campus was spared damage, some of our members and large numbers of our neighbors were displaced by the floodwaters. In addition to the physical work by our tireless members, our Vestry committed over \$20,000 to local flood relief, which included help to individuals, other churches, schools and relief organizations. Over the past several years we have been able to dedicate larger portions of our total income toward local outreach, and in 2017 we expended a greater percentage than ever before, thanks to the faithfulness and generosity of our members. In November we had a joyful visit from our diocesan bishop who celebrated, preached and broke bread with us, and several new Episcopalians were welcomed into our church family. We were blessed this year with a Pastoral Leader Intern from the Iona School for Ministry. Ms. Rhonda Rogers is a great asset to our team and we are excited and thankful for her anticipated two year internship with us. Our Strategic Planning Team is still hard at work, envisioning even greater things for the future, and carrying out that vision with all the people of St. Stephen's as we seek the Lord's blessing and guidance in the days, months and years to come.

### **St. Stephen's Beaumont**

St. Stephen's Beaumont has had quite an eventful year full of transitions. Much of the first part of the year was dedicated to being in active search for the new rector. With the helpful guidance of the interim rector, the Rev. Ann Normand, and diocesan staff, the

search committee faithfully attended to the interviewing process. Names of candidates were received by February and initial interviews took place over March. By April the search committee had conducted more extensive interviews and visits. In May, St. Stephen's formally called its 12th rector, the Rev. Steven Balke, to begin serving in June. During the first half of the year, the Rev. Ann Normand and deacon Pat Ritchie did an amazing job leading the parish both in its communal life within the parish as well as its mission to be the church out in the world. St. Stephen's held its regular "Saturdays of Service" outreach projects during the weeks of Lent. These projects included work on the "Books and a Bear" project for one of our neighborhood schools and a Pop-Up Laundry Love ministry that could someday become a more continuously operating ministry of St. Stephen's. The parish continued during the interim with its Lenten Interfaith collaboration with the neighboring Presbyterian, Baptist, Methodist, Roman Catholic, and Disciples churches. Likewise, the parish remained engaged in the activities and life of All Saints School throughout the academic year.

After the Rev. Steven Balke arrived, St. Stephen's quickly adopted new practices of engaging in family and youth activities through other schools in addition to All Saints, as well as hiring a new choir director, restarting the church choir, beginning a Sunday morning Hospitality & Fellowship breakfast, and a new formation program. Starting in the fall, parishioners now arrive early for breakfast with each other before breaking out into either preparing for the worship service, choir practice, or formation for children or adults. Following these activities, the parish joins back together to worship. This year featured St. Stephen's fifth annual Beatles Sunday Eucharist and also its fifth annual Service Sunday, where all are invited to go out into the world instead of attending traditional worship and serve at one of six designated service sites that day.

In August, Hurricane Harvey did tremendous damage to the community and left many people without power, access to food and clean water, and the ability to travel for weeks. About 40 parishioners at St. Stephen's had either significant damage to or completely lost their homes to flooding. This is in addition to the thousands in the surrounding community who have lost their homes and possessions. In the immediate aftermath of the hurricane, St. Stephen's set up its parish hall as an emergency rescue crew dispatch station, supplying crews and taking in rescued citizens. In the days that followed, St. Stephen's became a distribution center for water, food, clothing, and emergency supplies for approximately 4,000 people in two weeks. After clean water, power, and supplies returned to Southeast Texas, St. Stephen's transitioned into long-term assistance, providing lodging for clean-up crews and temporary housing for parishioner and neighbors waiting for assistance. St. Stephen's also hosted several gatherings for grief and trauma workshops and disaster relief town hall forums, giving people language to process their emotions and promoting connection, information, and agency for the people struck by the hurricane.

The church building itself sustained damage during the hurricane, but the priority has been to respond to the needs of people's homes. The necessary repairs to the church roof, flooring, and organ will be attended to just as faithfully as the necessary repairs to people's homes have been. St. Stephen's has been and continues to be committed to its mission to be a church of reconciliation, hospitality, and love in the community both within and outside of its parish walls.

### **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, nursing home ministry, homebound food delivery, prayer support, civic organizations. 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 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 32 students enrolled. 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 Episcopal, Jasper**

We hosted an Easter Egg Hunt for the kids at Head Start. We now have two supply priests serving us. Byron Crocker comes two times a month, and Max Reynolds comes two times. Les Spear resigned as our permanent supply Priest because of a conflict with his second job. In August, we hosted a luncheon for the teachers at Head Start. In October, we had a Blessings of the Pets, and invited the community to join us. We are collecting gently used household goods for the Women's and Children's Shelter. This helps the women move into their own homes and get a new start. We are about to start visiting the local nursing homes with our precious pets one Sunday a month. As soon as we get all the papers required by the nursing homes, we will start our visits. We are very proud of this outreach. In addition, several members of Trinity went through training for Safeguarding God's people and Children this summer.

### **St. Paul's - Orange**

We have had another wonderful year at St. Paul's. Attendance is up this year at both our Sunday morning services and at our Wednesday Evening Prayer and Sunday School. In the past year we have had several families with young children join the church, which is wonderful. Members of our congregation love to learn and equip themselves for lay ministry. For example, Bill Smith recently graduated from Education for Ministry (EFM) and Margaret Light is scheduled to graduate next year. In addition, Miles Hall is currently attending the Lay Preacher Track at the Iona School for Ministry. We continue to be committed to helping our veterans and focus much of our outreach ministry on the City of Refuge which is a homeless veteran's shelter located in Vinton, Louisiana. We hosted and assisted St. Episcopal Church mission work at the City of Refuge.

During Hurricane Harvey, our church and parish hall were flooded. Approximately 30% of our congregation's homes were flooded. However, our congregation has pulled together and we are in the process of rebuilding. Although our pews and carpet are gone for now, we joyfully worship on folding chairs! More importantly, during the storm and its aftermath, our church has been able to physically, emotionally, and financially help its members and the people in the surrounding community. We are truly blessed.

### **Holy Trinity –Port Neches**

In June 2017, father Cliff was sent off to retire with great thanksgivings for his years of service to the church and to the community of Port Neches. During the summer,

several visiting clergy assisted us with the Sunday celebration of Holy Eucharist. Our Vestry Chair also conducted Morning Prayer. As of September 1, 2017, we contracted with The Rev. Margaret Williams to serve as our interim priest. We continue to be active in our search for a permanent Rector. We experienced some very real loss with the hurricane. Many of our members lost or experienced great damage to their homes. Holy Trinity continued to serve as an example of Christ's presence as a number of our members opened their homes to neighbors. There were many hours of rescue assistance given by the church community to those around us. On November 19<sup>th</sup> we will host the whole community of Port Neches in a service of Thanksgiving for God's faithfulness in the midst of the storm. We look forward with great joy to this next year to see what our Lord is going to do with and through Holy Trinity.

Keith F. Giblin, Dean

### **SOUTHWEST CONVOCATION**

This past year has been one of adjustment; stalwart ministries transitioning away to new opportunities while welcoming new life and vibrancy to our clerical gathering.

With The Reverend Peter Conaty's passing on August 17<sup>th</sup>, St. Mary's, West Columbia was able to honor their longtime spiritual mentor, of seventeen years, by spreading his ashes over the Nash Prairie he loved so dearly.

St Mark's, Fort Bend, said goodbye to their rector, The Reverend Bert Baetz, as he answered a new call in Kerrville, Texas. Thankfully God has called The Reverend Mark Crawford to serve as Interim Rector (since the first of November) after completing his tenure as interim at St. Timothy's, Lake Jackson- it is certainly good to keep him within our midst.

As well, The Reverend John Soard, completed his tenure at St. Thomas in Wharton and as our very capable dean relocating to the Generation Park area of Northwest Houston in order to begin his new call to plant a church - Holy Family Church. Most gratefully, The Reverend Kenneth Dimmick now leads St. Thomas' as interim (since October 16<sup>th</sup>).

And last, but not least, we were honored to welcome our newest rector within our fold, The Reverend Brendan Kimbrough, of St. Timothy's, Lake Jackson, transitioning a mere weeks before Hurricane Harvey.

We tend to meet together on the fourth Thursday of the month hosted at Calvary, Richmond by the good graces of The Reverend Paul Wehner. We are a close group, skillfully led by Ms. Maureen Bacchi as our facilitator.

The day before Harvey hit I was invited to replace John Soard as dean of this convocation, to which I humbly accepted and as now I proudly serve. I am thankful to Bishop Doyle for his trust in me. We are all so very grateful to God, calling each of us to an area of this great diocese where opportunities to see Him at work are endless and vivid.

Travis Smith, Dean

### **WEST HARRIS CONVOCATION**

The Clericus in the West Harris Convocation has seen much transition in 2017. The Rev. Todd Bryant who was Dean at the start of the year has accepted a call to serve as the Rector of a church in northern California. In the liminal time of transitioning

deans our region experienced Hurricane Harvey with extensive damage resulting from proximity to waterways such as Buffalo Bayou and Turkey Creek. Two of the parishes in our convocation, Emmanuel and St. Thomas, experienced extensive flooding and the parishes of our convocation have worked diligently to help each other and our surrounding neighborhoods. As the new Dean, I have begun planning meetings and discerning the best way forward to increase mutual support, shared ministry, and continued care for each other post-Harvey.

Joshua Condon, Dean

### **CAMP ALLEN CONFERENCE AND RETREAT CENTER**

Camp Allen had over 65,000 visitors last year including over 10,000 youth. This year had many significant accomplishments including hosting over 1500 events for churches, non-profits and universities. A record number of clergy attended the fall clergy conference at camp in October. Camp Allen employs 85 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 10 projects are now complete. The next large project is the staff housing building in preparation for Campsite 4. The campaign has pledges of \$7.4 million to date.

The Camp Allen budget for 2017 is \$6,500,000 with a net change in assets of \$250,000 before depreciation. The summer camp program continues to grow at a record pace of 1930 campers attending one of 24 sessions. The rate for a week of camp is \$651. 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

### **2016 Audited Results**

#### **Revenues:**

Conference Center Fees	\$3,493,787
Summer Camp Fees	985,497
Campsites and Cabins	426,691
Discovery Fees	710,763
Gift Shop Sales	139,063
Contribution/donations	492,326
Equestrian and other income	63,525
<b>Total Revenues</b>	<b>\$6,270,895</b>

#### **Expenses:**

Conference Center	\$3,506,106
Summer Camp	1,173,116
Discovery	884,165
Campsite and cabins	318,506
Gift Shop	240,424
Equestrian expenses	122,866
<b>Total Expenses:</b>	<b>\$6,245,237</b>
Net change before depreciation	\$25,658
Depreciation	\$921,255

## **CHAPLAINS TO THE RETIRED NORTHEAST AREA**

The ministry to the “Retired and Spouses” in the Northeast Area of the Diocese of Texas stretches from Hemphill in the southeast corner to Jefferson in the northeast corner, including clergy/spouses in the Dallas/Fort Worth area. This ministry includes personal calls, cards for birthdays/anniversaries, hospital visitation, transportation to clericus meetings, meals, and attendance at funerals/memorials. An occasional trip to medical facilities/rehab centers as scheduled. The chaplain is also available for consultation in matters of pension policies and procedures. Ideas and suggestions as to making this ministry meaningful to those being served are welcomed.

M.L. Agnew, Jr., Chaplain

## **SOUTH REGION**

The ministry of Chaplains to the Retired Clergy and Families is a program of the Church Pension Group designed to provide support to the pastoral ministry of the bishops of the diocese to the retired clergy and families committed to their care. Chaplains in the Diocese of Texas minister to all retired clergy and families physically resident in the diocese regardless of their canonical residency. Most contact comes through birthday cards, ordination anniversary cards and, where appropriate, wedding anniversary cards sent on behalf of the bishops. I was invited to this ministry in August of 2016 to replace the Rev. James K. Alcorn who died in March 2016, so this report only covers August to November 2016.

In August, as a result of Hurricane Harvey, thanks to a list of telephone numbers received from Bishop Fisher’s office, calls were made to retired clergy in the Houston/Galveston area to learn whether any of them required help following the storm. Fortunately, only one retired cleric was flooded and was receiving assistance from his parish. Another lost a truck, and a third experienced damage to the congregation where he served as interim. In all cases needed care was being received in a timely manner.

In mid-September, my appointment was officially recognized by the Church Pension Group and I received their full list of the names, addresses, and telephone numbers all the retired clergy, families and surviving spouses in the Diocese and was able to begin the greeting card portion of the ministry. To date, birthday cards have been sent to 17 clerics or surviving spouses and one card of condolence was sent to the spouse of a cleric who died. Also two hospital visits were made to follow-up with the Rev. Barbara Bogetich, and a phone call to the Rev. Carl Shannon, after their medical emergencies during Clergy Conference.

In early October, I attended the Church Pension Group’s Annual Conference for Chaplains to the Retired for Provinces V, VI and VII which was held in Albuquerque, New Mexico. There we heard presentations from the Church Pension Group about their various programs concerning Education and Wellness, including ‘Enriching Your Retirement’ presentations made by CPG around the country. We also heard a very informative presentation about dementia by the Rev. Collette Bachand-Wood and finally, we were given a review of the Medical Trust benefits and an update of the Clergy Pension Plan Revisions which will begin to be implemented in January 2018.

John R. Bentley, Jr., Chaplain

## WESTERN REGION

I am honored to serve as Chaplain to Retired Clergy Households residing in the Western Region of our Diocese. It is such a wonderful opportunity to hear some of the stories of faithful service and amazing ministries as well as letting our retired folks know they are remembered by the church they so faithfully served.

The Western Region is home to about 95 retired clergy households (as of November 1, 2017). Of these households, 60 have retired from the Diocese of Texas and the other 35 households have retired from some other diocese.

The households consists of 72 folks who are retired priests and bishops and who have 57 spouses. In addition, we have about 25 surviving spouses (all widows) in our group.

This is a large group of folks and it is challenging to catch up with some of the flock. I send a handwritten birthday card to everyone (144 last year) and sometimes get a phone call, card, or email in response. Other communication includes a written invitation to the annual Retired Clergy Luncheon hosted by Bishop Harrison. This event is a highlight for the about three dozen folks who are able to attend and lots of laughter and conversation is shared.

Other communication and visits happen if one of our bishops or others hear of someone being ill; I have attended several funerals and seek to check on those who are grieving. I get a few calls for help with “who do I ask for down in Houston” and “who at CPG is the best person to talk to about ...”

My main goal for 2018 is to try to have a conversation with every person to make certain they are connected with a local parish (if they wish to be) and that those who cannot attend church receive Home Communion (if they wish) from that local parish.

The Church Pension Group does a marvelous job of supporting chaplains, bringing us together from around the country for programs and conferences as well as supporting us with contact information for all retirees and always ready to help and support. It is a privilege to serve with the other chaplains, M.L. Agnew serving in Tyler and John Bentley serving in the Houston area; all of us get support and encouragement from Bishop Fisher and his office, especially thank you to Kathy Dunn.

Janne Alrø Osborne, Chaplain

## 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 2016-17 school year the Chairman of the Commission visited 25 schools, their Heads of School, Rectors, or Board Chairs in person, presented a workshop at Clergy Conference, and offered a booth at Council. Contacts with the staff of the Seminary may also result in a presentation for prospective graduates beginning their ministry at a parish with a school. Additional phone conferences with Rectors and Heads of School 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 our students 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 gathered general information about the efforts of parishes and their schools to review and share many of the financial obligations faced by both institutions during each school year. The schools and churches have Memorandum of Understanding agreements or Shared Space policies unique to their campuses and most base their calculations on previous actual expenses. During the 2016-17 school year, our parish schools contributed just over \$4,851,000 to their parishes through these shared space agreements.

The current school year began with the intrusion of Hurricane Harvey and subsequent torrential rains and flooding, targeting southeast Texas and many of our churches and schools. Several parishes suffered the wrath of this storm and experienced varied degrees of flooding in buildings, with roof and structural damage, school supplies ruined, and sanctuaries flooded. Even those campuses not physically damaged felt the consequences of such a storm; many schools closed for an extended time due to safety concerns and displaced families, altered or changing enrollment which affected classrooms, and burdened staff members with damaged homes who found work difficult. Many of our undamaged schools welcomed displaced children and many conducted fundraisers to help their fellow Episcopal schools. At this writing, even six months later, the repairs continue.

*School Structure:*

This year we continue to have 58 schools working with the Commission. Enrollment remains close to last year's; this year our schools are serving 11,313 students. We have 8 schools that serve infants and 9 schools serving high schoolers, with many grade configurations in between. All of our schools but three have preschools; 33 serve preschoolers only. Episcopal schools in this Diocese currently employ over 2500 employees.

Fran Barrack, Chair

## Annual School Report Summary, 2017-18

<i>Total Number of Schools</i>		<i>School Size by Enrollment: Minority Student Enrollment</i>		
Preschool only:	33	Schools with <50 students:	9	(from schools that collect this data)
Through Elementary:	4	Schools with <300:	40	
Through Middle School:	11	Schools with >300:	9	Students: 4496 (approx. 40%)
Through High School:	8			
High School Only:	<u>2</u>			
Total	58			

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<i>Number Receiving Financial Aid</i>	<i>Special Needs Students</i>	<i>Total Number of Employees</i>
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<u>Students:</u> 1693 (approx. 15%)	<u>Students:</u> 445	<u>2556</u>
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### *Location of Schools by City*

Angleton	Holy Comforter		St. Martin's
Austin	All Saints		St. Stephen's
	Good Shepherd		St. Thomas
	St. Andrew's		St. Thomas the Apostle
	St. David's	Killeen	St. Christopher's
	St. George's	Kingwood	Good Shepherd
	St. Mark's	LaGrange	St. James
	St. Matthew's	Lindale	St. Luke's
	St. Michael's	Longview	Trinity
	St. Stephen's	Lufkin	St. Cyprian's
	Trinity	Marshall	Trinity
Bastrop	Calvary	Missouri City	St. Catherine of Sienna
Beaumont	All Saints	Nacogdoches	Christ Episcopal
Bellaire	Episcopal High	Pearland	St. Andrew's Academy
Bellville	St. Mary's	Richmond	Calvary
College Station	St. Thomas		St. Mark's
Conroe	St. James	Round Rock	St. Richard's
Crockett	The Jordan School	Sugar Land	Holy Cross
Friendswood	Good Shepherd	Temple	Christ Church School
Galveston	Trinity		St. Francis
Georgetown	Grace	The Woodlands	Trinity
Houston	Archway Academy	Tyler	All Saints
	Ascension	Waco	St. Paul's
	Cathedral House	Woodville	St. Paul's
	Emmanuel		
	Grace		
	Holy Spirit		
	Holy Trinity		
	St. Andrew's		
	St. Christopher's		
	St. Cuthbert's		
	St. Francis		
	First Steps Montessori		
	St. Mark's		

### **ST. VINCENT'S EPISCOPAL HOUSE**

The Gospel of Jesus Christ calls us to be agents of hope and transformation in the lives of the poor and underserved. Our mission is to provide essential services and resources to empower families and individuals to become self-sustaining and contributing members of our community. Currently, we offer:

## **Health and Wellness**

- University of Texas Medical Branch Partnership to provide Free and Reduced-Fee Clinics
- Community-wide health and wellness collaborative
- Mental Health Services Collaborative

## **Direct Aid**

- Food Pantry
- Transportation
- Direct Aid
- Community Gardens

## **Emergency Financial Assistance**

- Rent and Utility assistance to prevent homelessness

## **Spiritual Support**

- Morning prayer (daily)
- Holy Communion (Fridays at noon)
- Pastoral Counseling

**SVH welcomes partners** who provide education, healthcare, and other services as a way for families and individuals to experience a transformational change in their lives.

**SVH explores ways to empower the community** to live independent and purpose-filled lives, by helping them have the capacity to do so. Those who receive services today become those who help others tomorrow.

To complement our existing services SVH has introduced **T.O.U.C.H. (Transformational Opportunities Undergirded by Choice and Hope)**, a multidisciplinary, intergenerational, comprehensive platform of education and enrichment designed to improve the quality of life for Galveston residents.

## **THE CASE FOR T.O.U.C.H.**

- SVH serves clients from primarily low-income, underserved, uninsured, and working poor communities in Galveston County.
- According to the US Census 2011-2015 5-year estimates, Galveston has a population of 48, 971 people, a per capita income of \$26, 665, and a median household income of \$39, 098. About 24.6% of the population lives in poverty, and 26.2% of persons under age 65 are without health insurance.
- More than 50% of SVH's clients have annual gross incomes of \$15,000 or less, with the 2017 Federal Poverty Level for one person at \$12,060 and \$24,600 for a family of four.
- Many people in these demographics do not know how to access available social service resources.
- Galveston's homeless population lacks basic needs for daily living.
- When SVH surveyed Galveston 6<sup>th</sup> graders ages 11 to 13 at Central/Weis Middle School, 31% expressed concern about bullying.
- To enable SVH to go beyond meeting basic needs
- To improve the quality of life for clients of SVH

## **TOUCH INCLUDES:**

1. **Financial Literacy** classes, using a customized version of the "MONEY TALKS"© Curriculum

2. **Case Management** assistance in identifying and accessing available social services resources to help SVH clients move toward self-sufficiency.

3. **Showers and Laundry for Travelers** (the homeless) in collaboration with Streetscape Ministries, as part of our commitment to human dignity restoration

4. **Community Reimagined**

Asset-Based Community Development, which identifies and makes use of existing local resources to meet the needs of Galveston County low-income, underserved, uninsured, and working poor in partnership with TEXANS TOGETHER

5. **Life-Enrichment After-school Program** for middle school youth, called PROJECT HOPE, in partnership with the Institute of Translational Sciences at UTMB

6. **Reel Life - God At The Movies** Through the use of specially selected movies, SVH presents Theological Reflection and Discussion

T.O.U.C.H. is an ambitious undertaking allowing SVH to go beyond meeting only the most immediate, basic needs. We welcome all who are called to serve the most vulnerable among us as we live out Our Lord's call to serve Him among God's people.

Freda Marie S. Brown, Executive Director

### **ST. JAMES HOUSE**

As was reported in last year's Journal, St. James House, Baytown, was sold in September of 2016. As a condition of the sale, the SJH entity had to maintain its existence for one year. The Board of Trustees is using this time to come to an orderly cessation of its business and to transfer its other assets to the St. James House Foundation, which is being accomplished as I write this, and is expected to be completed by 12/31/2017. As was also reported last year, the SJH Foundation has been exploring ways to accomplish ministry to seniors across the wider diocese, not just the Baytown area. The SJH Foundation will make a separate report to Council of its work.

As this phase of our ministry ends, my heart is so grateful for all those involved in this work. Bishop Fisher has been a wise and steady influence, and Bishops Doyle and Harrison likewise have offered great support. We have shared ministry with a gifted group of Trustees who were given a job to do that was not the job for which they signed on, but who did everything asked of them, and more, with faith and grace. We were blessed to have the company of Executive Director Wes Bard and a dedicated team of professionals and staff at St. James House for whom this was a ministry and not a job. And, most importantly, we had the trust of residents and families who allowed us to care for their loved ones for more than 55 years. I give thanks to God for having had this privilege.

Pamela S. Nolting, President

### **ST. JAMES FOUNDATION**

The St. James House Foundation was created in 2003 to help provide some funds for the benefit of ministry to seniors at St. James House, Baytown. With the sale of SJH, the Foundation is broadening its scope to minister to seniors across the diocese. With the proceeds of the sale and the transfer of other assets, there is a small corpus with which to begin this ministry.

The board and structure of the Foundation have been reorganized and, guided by faith and prayer, the board has identified core values, mission, and vision. With this work has come a proposed new name which this Council will be asked to approve. Ideas for

ministry are beginning to take shape. However, we are proceeding cautiously and expect that it will be well into 2018 or 2019 before any actual ministries will take place. We ask for your prayers as we continue this process.

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 2017, Cynthia Briggs Kittredge began her fifth 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 Clinical Mental Health Counseling
- Master of Arts in Spiritual Formation
- Diploma in Anglican Studies

A total of 118 students enrolled at Seminary of the Southwest for Fall 2017. The 43 ordination track students are from the following dioceses: Alabama, Arizona, Arkansas, Atlanta, Central Florida, Central Gulf Coast, Colorado, Fort Worth, Hawaii, Milwaukee, Mississippi, Montana, Nevada, North Carolina, Ohio, Oklahoma, Olympia, Rhode Island, San Diego, South Carolina, Texas, Vermont, West Tennessee, West Texas, West Missouri, Western Louisiana, Western Michigan, and Western North Carolina.

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 eighteen 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, Spirituality, Theology and Arts, Leadership Formation and Vocational Pedagogy, Counselor Education, and Latino/Hispanic Studies. The Faculty includes five administrators, the Very Rev. Cynthia Briggs Kittredge, dean and president; Dr. Scott Bader-Saye, academic dean; the Rev. Dave Scheider, director of the Loise Henderson Wessendorff Center for Christian Ministry and Vocation; the Rev. John Lewis, director of formation outreach; and Dr. Claire Colombo, director of the center for writing and creative expression. Additionally, over 12 professionals from the Austin and San Antonio areas teach adjunct in the Center.

During the past year, Seminary of the Southwest assumed overall leadership of the Iona Initiative. With the approval of all the participating dioceses the name of the project was changed to Iona Collaborative, a Program of Seminary of the Southwest. As of November 2017 there are 21 participating dioceses, with two more dioceses in the process of joining, which will bring the total number of Iona dioceses to 23. There are 150 students currently enrolled in these 21 dioceses of Iona Collaborative. The Rev. John Lewis, D.Phil. now serves as Director of Formation Outreach at Seminary of the Southwest (no longer on an interim basis), which includes oversight and direction of Iona Collaborative. Members of the seminary faculty are currently creating video

recordings of revisions to the Iona Collaborative curriculum in the areas of Bible, Anglican Studies, and Pastoral Care. Over this past year, seminary faculty members have also provided eight continuing education courses for dioceses in Iona Collaborative. The seminary has also taken steps to offer accredited, long-distance Clinical Pastoral Education (CPE) training and unaccredited, long-distance pastoral care education courses to dioceses participating in the Iona Collaborative. The seminary has also moved forward with its plans to create and offer for the wider church beyond Iona Collaborative: (1) more opportunities for continuing education for clergy, licensed counselors, chaplains, and spiritual directors, as well as more spiritual formation for laity; and (2) accredited CPE and unaccredited pastoral care education for clergy, children and youth ministers, lay congregational pastoral care teams, chaplains, leaders in workplaces, and other laity.

The seminary's general operating activities during two of the immediate past three fiscal years have resulted in modest net operating gains. However, during FY 2017 the seminary realized a general operating net loss; taken together the past three years' net operating activities have resulted in an overall net operating gain. Although tuition, oil and gas, and auxiliary service revenues exceeded budget projects in FY 2017, grant revenues were lower than expected due, in part, to certain grant makers' reliance upon oil and gas revenues to support their grant-making activities. Realized gains in investment income, dividends, and the investment portfolio contributed to a \$2 million increase in net assets over FY 2016. The seminary reduced principal indebtedness by \$113,453 during FY 2017 through scheduled and unscheduled principal reduction payments. A prevailing low interest rate environment continues to benefit the seminary, as maintenance of debt service remains manageable. In 2018, the seminary will pay off the one and only remaining mortgage on its student housing property. The \$6.2 million principal indebtedness incurred in 2009 for the acquisition and improvement of real property and maintenance of operations during the worldwide economic recession is slowly being reduced, though the board and administration acknowledge this to be a continuing economic challenge.

Seminary of the Southwest operates under a balanced budget thanks in part to well managed endowment, disciplined spending, careful oversight of the budget by the administration and 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 reply 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 \$864,000 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.

### **Loise Henderson Wessendorff Center for Christian Ministry and Vocation Clinical Mental Health Counseling (MHC)**

The MHC program offers a 66-hour degree designed for students seeking graduate-level instruction in professional counseling that prepares the student to pass the Texas state LPC qualifying exam and provides an opportunity to integrate professional counseling competencies with spiritual, religious and ethical values. All MHC courses address the knowledge, skills, and dispositions required for competent professional counseling practice in a diversity of settings. The four courses in spiritual integration provide additional Biblical, theological, historical, and ethical foundation for integrating spiritual, ethical, religious and multicultural competency with counseling theories and techniques.

### Council for Accreditation of Counseling and Related Educational Programs (CACREP) Accreditation

Seminary of the Southwest began its quest for CACREP accreditation for the Clinical Mental Health Counseling (MHC) program in the summer of 2015. Following a year of program review, analysis, and revisions to meet CACREP standards, the seminary self-study was submitted to CACREP in Summer 2016. The self-study was well-received

by CACREP and the seminary site visit occurred in early 2017.

In July 2017, the Loise Henderson Wessendorff Center for Christian Ministry and Vocation's (the Center) MHC program received accreditation for an eight-year period through October 31, 2025. The accreditation letter from the CACREP board stated, "Programs receiving accreditation for an eight-year period deserve to be commended for the work completed throughout the accreditation process. This is indeed a worthy achievement."

CACREP accreditation signifies that the seminary's Clinical Mental Health Counseling degree is of the highest quality by the professional standards of the field. Counseling students at Seminary of the Southwest benefit from the best from both the discipline of psychology and the rich tradition of Christian theology. The visiting team from CACREP commended this integration as one of the hallmarks of our program.

#### Harrison Fellows Program

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 regard 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, the two most recent Harrison Fellows just completed their fellowships at Burke, which provides mental health services in 12 counties in East Texas, and have accepted full-time employment offers there to work as fully-licensed counselors. The next Harrison Fellows will begin their LPC-internships at Burke in 2018. 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.

#### Latino/Hispanic Counseling Concentration (LHCC)

In August 2017, the Association of Theological Schools awarded the Center's LHCC program a \$50,000 Innovation Grant. This one-year grant is to be used to financially support the official launch of the LHCC.

The Latino/Hispanic Counseling Concentration emerged from the need to bridge the gap for Latinos/Hispanic to access mental health care. Currently, 10.4 million of Latinos living in the U.S. reside in Texas (Pew Research Center, 2016); Latinos comprise 38.6% of state population, compared to the national average of 17.3% (Pew Research Center, 2016). Although the U.S. and the state of Texas are diverse, there is still a disparity for Latinos/Hispanic receiving mental health service. According to the 2010 National Healthcare Disparities Report, Non-Hispanic Whites received mental health treatment two times more often than Hispanics (U.S.

Department of Health and Human Services Office of Minority Health, 2010). This number indicates a need for the counseling profession to focus its efforts on working with this population and more importantly, from our point of view, within the state of Texas due to the large population of this group and the state's proximity to Mexico.

The seminary believes it is crucial to better equip the Clinical Mental Health students to work with this population. The concentration was purposely embedded within the Clinical Mental Health Counseling degree curriculum so students would not have to extend the length of their degree program in order to obtain their certificate. The concentration is comprised of six components which include: a differentiated curriculum, language proficiency, cultural plunge/immersion experience, community collaboration project, counseling theories workshops, and a field experience. Students must complete these six components in order to receive the certificate. The six components follow the outcomes laid out by the Council for Accreditation of Counseling and Related Educational Programs (CACREP) for developing cultural competency. These outcomes allow the LHCC to follow measurable goals for our students. In addition to the CACREP outcomes outlined, the students are expected to discuss and learn about different interventions of working with Latino/Hispanic clients, including theories, best practices, and advocacy.

### **Master of Arts in Chaplaincy and Pastoral Care (MCPC)**

The MCPC is a 72-hour degree designed for people interested in pastoral care in a variety of contexts. The core curriculum (4 courses) provides a biblical, theological, historical, and ethical foundation for pastoral ministry. Other required course work equips the student for general chaplaincy ministry in a variety of settings. Elective courses enable students to broaden and deepen their understanding of particular ministries in specified settings (e.g., hospice). The curriculum provides the requisite 72 credits specified by the Association of Professional Chaplains (APC) for recognition as a Board Certified Chaplain (BCC). The MCPC degree is one of the few nationwide that trains lay chaplains to meet the educational requirements for board certification in the Association of Professional Chaplains.

The MCPC degree is a challenge for recruiting the required five students per year so the degree will be assessed in 2018 to determine if it should be continued. If the MCPC degree is canceled, the seminary will fulfill our commitment to the current students to complete their degree requirements. If the seminary cancels the degree, the recommendation will be to offer a health care chaplain concentration for the M.Div. The seminary currently offers a health care concentration in the Master of Arts in Spiritual Direction and Formation (MSF) degree to train

lay chaplains who prefer not to become board certified chaplains. A health care chaplain concentration in the M.Div. will meet the academic requirements for becoming a board certified chaplain in the APC.

### **Master of Arts in Spiritual Direction and Formation (MSF)**

The MSF is a 48-hour degree that engages the theology and practice of Christian

spirituality and spiritual direction. The MSF is designed for students who wish to explore the spiritual tradition of the Christian path as well as for lay and ordained ministers seeking to develop skills in spiritual direction.

The core curriculum (4 courses) provides a biblical, theological, historical, and ethical foundation for pastoral ministry. Other required course work allows students to specialize in spiritual direction, spiritual formation, or health care chaplaincy. Students who desire to serve as spiritual formation leaders in parish, retreat, and Christian education programs follow the spiritual formation track, allowing them to tailor a program that culminates in a project that will help them define their future ministry. Students who desire to serve as spiritual directors follow the spiritual direction track, allowing them to make use of their academic degree in a spiritual direction practice. Students who want to work in health care chaplaincy follow the health care chaplaincy track to complete 15 hours of chaplaincy courses.

In 2017 the practicum course for the MSF was significantly revised. The faculty voted to combine the theory and practicum courses and to spread the newly combined course over four semesters. Each semester offering of practicum will be for 1.5 hours and all MSF students will take all four semesters beginning at the first fall in which they matriculate.

This new practicum course examines the ethics, practice, and theory of spiritual direction. Students will learn the appropriate skills for leading spiritual direction in individual, group, and peer group supervision settings. This course is to be repeated for four semesters in order to learn the breadth of skills and concepts for spiritual direction and for applying these skills to various pastoral care ministries. Each semester will follow the same design of practice, supervision, group spiritual direction, and directed readings. The directed readings will change each semester.

In September, the seminary welcomed back 35 alumni from across the country for the 50th anniversary of the Blandy Lectures and Alumni Convocation. The seminary was honored to have The Rt. Rev. Robert C. Wright as the featured lecturer for the two-day gathering. This year, alumni and local clergy were able to pick between a wide range of continuing education topics on Spiritual Health and Well Being and the Christian Perspective on Money. In addition to more robust session topics, we also increased the number of sessions offered over the two-day convocation. We received positive feedback from the attendees about the offerings and will use this to plan for the 2018 Blandy Lecture and Alumni Convocation.

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 Office of Institutional Advancement has also worked to recruit a diversity of graduates in varying stages of their ministry to serve as volunteers on the Alumni Steering Committee or on other projects.

The Southwest Annual Fund has positioned itself for sustainability with strong performances each year. The focus this year 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 stopping a downward trend in giving last year, this fiscal year has been off to a slower start in large part due to the numerous and widespread natural disasters that have affected our community near and far. We are beginning to see an uptick in giving and are pacing well to finish strong at by the end-of- the-calendar-year. The Office of Institutional Advancement has had a few staff turnovers this year with the departures of Benjamin Griffin, Luisa Harmon, and Kelly Rowley. Fortunately, we were able to replace the Manager of Development Services position quickly with our new hire Nina Teubner. We are currently in the process of hiring for the new Director of Annual Giving & Alumni Relations to replace Kelly Rowley. Even with the staffing chances, we were able to get out all of the fall projects. The Office of Institutional Advancement will continue to produce targeted multi-channel solicitations, increase the number of personalized individual solicitations, and enhance the donor relations efforts.

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 fourth 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, Dr. Dan Morehead spoke to an overflowing crowd in a very touching speech. Judge Lora Livingston 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. The seminary is also accredited by the Council for

Accreditation of Counseling & Related Educational Programs for our Master of Arts in Clinical Mental Health Counseling degree.

An outstanding Board of Trustees chaired by the Rt. Rev. Dena Harrison, bishop suffragan, Diocese of Texas, leads the seminary. Other trustees include Clarke Heidrick, executive chair, Diocese of Texas; The Rev. Lisa Mason, treasurer, Diocese of West Texas; Dr. Dan Joslyn- Siemiatkoski, faculty representative (non-voting member), Seminary of the Southwest; John Castle, Diocese of Dallas; John Clanton, Diocese of Texas; 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; 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; The Rev. Harrison McLeod, Diocese of Upper South Carolina; The Rev. Patrick Miller, Diocese of Texas; The Rev. Alex Montes Vela, Diocese of Texas; Liza W. Philpy, Diocese of West Texas; Dr. Lynwood P. Randolph, Diocese of Texas; Forbes Sirmon, student representative, Seminary of the Southwest; 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 \$207 million (almost 83 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/>.

### College of Arts & Sciences

Enrollment from the Diocese of Texas: 65 students total (15 report Episcopal heritage)

Financial aid awarded to all college students from the Diocese of Texas:  
\$1,341,615.00

**The School of Theology**

**Seminary**

Enrollment from the Diocese of Texas: 3 students total (includes summer and non-degree students)

**The Beecken Center**

Education for Ministry (EfM) Groups: 32

EfM Diocesan Coordinator: Ms. Lucy M. Wagner

**Annual Fund Support Received from the Diocese of Texas:** \$250,000.00 (Rank – 1st)

**Annual Fund Support Received from Diocese of Texas churches:** \$50.00 (Rank – 24<sup>th</sup> [1. Mississippi \$37,093.00])

**2016–2017 Statistics for the University of the South**

College of Arts and Sciences total students: 1,734

Class of 2020: 514 students SAT combined: 1760-1983 ACT: 27-31

High School GPA: 3.69/4.0

College tuition and fees: \$ 42,400

College faculty: 151 (Full-Time) and 70 (Part-Time)

Student/faculty ratio: 9.9 to 1

School of Theology students: 151 (includes summer students)

School of Theology full-time tuition and fees: \$ 17,058

School of Theology faculty: Full-Time: 10 Part-Time: 5 Student/faculty ratio: 6:1

**University Fiscal Year July 1, 2016–June 30, 2017 (unaudited)**

Endowment: \$394.9 million

Seth J. Hinkley, 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 34<sup>th</sup> year of operation with an enrollment of 713 young men and women from 72 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 2016-17 school year, generous gifts from parents, trustees, alumni, alumni parents, grandparents, friends, and foundations raised over \$2.5 million to support the School's \$24.2 million budget. The endowment fund ended the fiscal year with a market value of \$33 million.

Members of the Class of 2017 were offered more than \$13 million in scholarships based on their academic, artistic, and athletic accomplishments. The students were accepted to over 144 schools around the world. Of the Class of 2017, 52% are attending private schools and 48% are attending schools in Texas.

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, 19% 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 2016-17, boys' soccer and baseball as well as girls' softball brought home three SPC championship titles for EHS, capping off another excellent year of performance for student athletes.

The EHS arts pillar also experienced a year of success. The Interim term play *Women of Lockerbie* provided an enriching experience to learn how to literally take a "show on the road". Additionally, an arts pillar trip took 90 students from across the arts disciplines to New York City and the spring musical, *Lucky Stiff*, played to a full 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, Episcopal High School has completed the Hildebrand Athletic Center which was blessed by Bishop Doyle in the School's Opening Day Chapel service. We have begun construction on the new Underwood Student Center to be complete in 2018 and are actively raising funds for the remaining three items on our

campus master plan: a new performing and visual arts building, a new Benitez Chapel and renovated athletic fields and track. EHS is looking forward to these exciting improvements to the campus which will help our facilities reach the level of excellence that the school's Mission warrants. Great things continue to be ahead with God's help.

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.

The school continues to benefit from the leadership of Christopher Gunnin, the twelfth head of school. Under Chris' leadership, St. Stephen's has launched a community-inclusive, strategic planning process; the plan will be finalized by May 2018. Administration is focused on addressing the ISAS/SAES visiting committee's summary recommendations with particular emphasis on programs and curriculum. The school will continue to explore ways in which we can better support our students, including transgender students, and provide a 21<sup>st</sup> century education.

Bishop Hines' founding vision of a talented and diverse student population is alive and well. The total enrollment of the school for 2017-18 is 687; the 176 boarding students represent 6 states, 28 cities in Texas and 15 foreign countries and 1 U.S. territory, bringing an unmatched diversity of race, ethnicity, and religion to our campus. Our 511 day students (198 in Middle School and 313 in Upper School) are from 37 different zip codes in the Austin area. Students of color represent approximately 30 percent of the enrollment, and approximately 42 percent when including international students. \$3.1 million in need-based financial assistance was awarded to 98 students (14% 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 2017-18 school year on sound financial footing, having now balanced the operating budget for 13 years in a row. We closed out the 2016-17 school year with almost \$1.395 million in gifts to the school's operating budget and an additional \$432,933 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 by passing a two-year moratorium on capital fundraising that will expire in fall 2018. Over the last 10-year period, the Endowment Corporation has distributed almost \$4 million to the school. This is an annual average of \$400,000. As of July 31, 2017, all assets of the Endowment, including pledges owed to the endowment, total \$17.4 million compared to the July 31, 2007, value of almost \$8.6 million—an amount that has doubled over the last 10 years. The school has partnered with a new marketing firm to increase Planned Giving fundraising efforts.

The Chapel program is at the center of the St. Stephen's campus and experience, and provides 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. In response to the recent hurricanes in the Gulf of Mexico and along the Atlantic coast, St. Stephen's students have donated much-needed supplies and funds to Austin Disaster Relief Network, Episcopal Relief and Development, and our brethren in Puerto Rico. Students are also engaged in global outreach, the best examples of which are service performed in Nicaragua every summer and the school's continuing support for and involvement with St. Etienne, an Episcopal school in Haiti. Faculty and student leaders in each division continue to work 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 1,380 (680 Evidence-Based Reading and Writing and 700 Math), and the average ACT Composite score was 30.4. The 121 graduating seniors enrolled at 76 different colleges and universities, and 23 percent of the school's graduating seniors were recognized as National Merit Semi-Finalists, National Hispanic Scholars, or National Merit Commended students.

The 2017-18 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.

Elizabeth C. Ozmun, Executive Chair

### **EL BUEN SAMARITANO**

This year El Buen Samaritano Episcopal Mission celebrated our 30<sup>th</sup> year of answering the call to serve the Latino community with health, spiritual and wellness programs. We are grateful to our supporters and the Diocese of Texas who have helped create ladders of opportunity for families in Central Texas. Together, we are building healthy, resilient and vibrant communities by addressing the physical, social and emotional well-being of families.

We are most grateful to the Episcopal Foundation of Texas and the Episcopal Health Foundation for helping build our capacity during the past 30 years. During that time, we have become a premier provider of quality health and wellness

programs that are culturally appropriate and effective to more than 10,700 Latino families.

This is demonstrated in our recent recognition as a Patient Centered Medical Home by the National Committee for Quality Assurance (NCQA), awarded at the highest level they confer. This recognition assures the public and our funders that we use evidence-based, patient-centered processes to provide the highest-quality, integrated healthcare for those we serve. This marks one of our most significant achievements!

Founded in 1987, our original programs consisted of a soup kitchen, a clothing closet, a food pantry and English as a Second Language (ESL) classes. In 1989, we started a medical clinic staffed by volunteer physicians and nurses. We continued to expand our services throughout the 1990s. In 2003, after a successful capital campaign, we moved to an 11-acre campus equipped with a medical clinic with 13 exam rooms; an education and outreach building with six classrooms and a larger food pantry; and a multipurpose building that also houses San Francisco de Asis Episcopal Church.

Our clinic is now fully professionalized and provides integrated primary care and behavioral health services for more than 6,000 patients each year. Our systems and services are patient-centered, designed to ensure that each patient can address the full range of their health and wellness needs. More than half of our patients have one or more chronic conditions. We also offer nutrition counseling, case management and referral services. Our community health workers, "promotores," provide diabetes self-management, prenatal and reproductive health education classes onsite and in the community.

El Buen also provides emergency food assistance to nearly 5,000 people a year through our food pantry and community garden. We use a choice model in our food pantry, so clients select food just as they would in a store, including nonperishable staples, as well as fresh vegetables, fruits, dairy, and eggs. This approach educates and empowers clients to make healthy selections.

We offer health literacy programs to promote individual and community health. In addition to understanding practices that promote health, such as exercise and nutritional choices, health literacy helps people navigate the healthcare system, engage in self-care, and communicate effectively with providers.

Many families do not have access to the education and resources necessary to get ahead, and the barriers they face are intergenerational. Our family literacy programs help families overcome many of those barriers to success. Raising literacy for these families increases the wellness of the whole community. Of the nearly 700 students we served last year, more than half work either full or part-time. El Buen's comprehensive family literacy classes empower and strengthen an entire family's ability to improve their physical, emotional and financial well-being. In addition

to English as a Second Language, students can also improve their digital (computer) literacy and meet with a job coach to establish and meet education and career goals. For elementary and middle-school students, we offer year-round tutoring and a summer camp.

**Highlights of our impact in 2016-17 include:**

**Improving Health:** Provided care to 6,000 patients across 20,000 appointments

- 17,000 medical visits
- 3,000 behavioral health visits

**Creating Opportunities:** Provided educational opportunities to 683 adults and youth

- English as a Second Language
- Computer Literacy
- Adult Basic Education in Spanish
- After school tutoring and enrichment
- Summer Camp

**Fostering Community:** Provided food and nutrition assistance to 1,398 households, serving total of 4,957 individuals.

**Strengthening Families:** Provided health education classes to 525 participants

- Prenatal Health
- Diabetes Empowerment Education Program
- Teen Sexuality Education

A final note. Due to recent legislative changes, the past year has presented challenges for the immigrant and Latino community. A significant number of our patients and students have expressed fear and anxiety for themselves and their families. Those fears escalated when Central Texas experienced intensive immigration enforcement actions in February. The safety and wellbeing of vulnerable families is embedded in El Buen's mission; they rely on us. With the prayers and support of our diocesan partners, we will continue to honor their trust in us.

Iliana Gilman, CEO

### **EPISCOPAL CHURCH WOMEN**

Grace and blessings from the Episcopal Church Women of the Diocese.

The Diocese of Texas' Episcopal Church Women held its annual retreat October 13-15, 2017 at Camp Allen, themed *A Tisket- A Tasket, God Has Filled My Blessing Basket*. Women from the Episcopal Diocese of Texas gathered for a weekend at Camp Allen full of workshops, speakers, worship, vendors, quiet time and most of all new friendships. The retreat was hosted by the Episcopal Church of the Resurrection, Austin, and the Diocese of Texas Episcopal Church Women Board. The retreat featured seven workshops that include Holy Yoga, The Art of Making a Banner: Being Creative with Old Vestments, This is My Body: The Gift of Being Fully Alive, Welcoming the Recovery Community in Our Churches, Decoupage Crosses, Radical Self Care and Faithful Living,

and When “None of Your Busyness” Is Good. The Diocesan ECW was most excited about their plenary speakers! On Friday night Tasha Morrison spoke on racial reconciliation and the need to be bridge builders to help bring about racial justice. At Sunday morning’s concluding plenary, we heard from Canon Mary MacGregor on *Our Need to Be Together*. Mary has often said, “the nature of organized women’s ministries has changed but the need for women to be together in Christian community will never go away”. Mary energized the audience with her enthusiasm and insights for women’s ministries. At the conclusion of the program it was announced that Canon MacGregor is the Diocese’s nominee for the Distinguished Woman award to be presented at Triennial July 2018 in Austin. It was a special pleasure to have Bishop Fisher join us Friday for our board meeting and to serve as the celebrant for Saturday morning’s opening worship service. The Diocesan ECW continues to promote Days for Girls as our overall Outreach Project for this year. 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](http://www.daysforgirls.org). Their presence in the Outreach room was a blessing as was the ladies participating in the Plarn Project.

The Diocesan ECW continues to be funded by churches and ECWs paying their Fair Share assessment. A big thank you goes out to all who paid their Fair Share. With this year’s donations, we awarded \$9,200 in higher education scholarships to ten young women in the diocese and \$3,000 in outreach grants to the Magdalene House in Austin and Blessings of Grace Marion County Food Pantry in Jefferson, which is an outreach ministry of Christ Church, Jefferson. We also made a contribution toward Rev. Lacy Largent’s salary with the Seafarer’s Ministry. In addition, we funded eight ECW spiritual growth workshops in Austin, Lindale, Carthage, League City, Prairie View, Houston and Kilgore. Further, we have substantially subsidized the cost of our Annual Retreat for Women by reducing registration fees to enable more to attend. We will also be sending \$500 to each of the churches that received the most damage from Hurricane Harvey.

It is a pleasure and delight to serve the women of our Diocese. Through our faith in Jesus we are reconciled and live in the grace of God.

Trish Johnston, President