

J O U R N A L

**of the
One Hundred Sixty-sixth**

**ANNUAL COUNCIL
of the
DIOCESE OF TEXAS**

Volume I

**Woodlands Waterway Marriott
Convention Center**

**February 6 & 7
2015**

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.

JOURNAL OF THE 166TH ANNUAL COUNCIL OF THE DIOCESE OF TEXAS

Volume I - Reports to Council

Table of Contents

I. <u>FROM THE 165TH COUNCIL</u>	
Unfinished Business & Certification of Minutes	1
Regular Committees for the 166th Council	1
II. <u>STANDING COMMITTEES OF THE COUNCIL</u>	
Committee on Constitution & Canons.....	3
Committee on Nominations	98
Committee on Resolutions.....	99
III. <u>REPORTS OF BISHOPS</u>	
The Right Reverend Dena A. Harrison	103
The Right Reverend Jeff W. Fisher	105
IV. <u>REPORTS OF OFFICERS OF THE DIOCESE</u>	
Historian	108
Registrar	108
Secretary	108
Treasurer	109
Executive Board	111
V. <u>DIOCESAN COMMITTEES</u>	
The Bishop Quin Foundation	112
Church Corporation	113
Episcopal Foundation of Texas	113
Episcopal Health Foundation.....	114
VI. <u>CANONICAL REPORTS</u>	
Commission on Ministry	115
Examining Chaplains	115
Deacons' Report.....	115
Standing Committee	117
Disciplinary Board.....	117
VII. <u>FINANCE</u>	
2015 Proposed Budget Formula.....	118

2015 Proposed Diocesan Budget	120
2015 Diocesan Assessments	128
2012 & 2013 Diocesan Budget Audits	
Diocese of Texas	132
The Bishop Quin Foundation.....	143
Church Corporation.....	155
Episcopal Foundation of Texas	173
Great Commission	190
Episcopal Health Foundation	198
Health Insurance	208
Clergy Life Insurance.....	208
Pensions.....	209
Property Insurance	210
General Funds Appeal.....	210

VIII. COMMITTEES AND BOARDS CREATED BY CANON

Convocations	
Austin	211
Central.....	213
Galveston	*
Harris, East	*
Harris, West	214
Northeast.....	214
Northwest.....	*
San Jacinto	214
Southeast.....	215
Southwest	219
Camp Allen Conference & Retreat Center.....	220
Commission on Schools	221
El Buen Samaritano.....	224
St. Vincent’s House	224
Lord of the Streets Church/Community of the Streets Outreach.....	*
St. James House	*
Episcopal Theological Seminary of the Southwest.....	225
University of the South	227
Episcopal High School.....	229
St. Stephen’s Episcopal School.....	233
William Temple Center	234
Episcopal Church Women	234

* Report Not Received

I. FROM THE 165TH COUNCIL

UNFINISHED BUSINESS & CERTIFICATION OF MINUTES

I certify that there are no items of unfinished business remaining from the 165th Annual Council of the Episcopal Diocese of Texas. I also certify that the minutes (as contained in Volume II, *Journal of the 165th Council*) are a true and accurate account of the proceedings of that Council.

John A. Logan, Jr., Secretary

REGULAR COMMITTEES FOR THE 166TH COUNCIL (2015)

1. CONSTITUTION AND CANONS

To 2015:

Maria Boyce, St. Martin's, Houston, *Chair*
3622 Wickersham, Houston 77027 (713) 229-1922
Sam Griffin, St. Cyprian's, Lufkin
Lillian Hyde, S.L.E.H, Houston
Nancy Ricketts, St. Michael's, Austin
David Harvin, Chancellor, *Ex-officio*

2. COUNCIL MANAGEMENT

To 2015:

Kai M. Ryan, Diocesan Center, Houston, *Chair*
1225 Texas Ave., Houston 77002 (713) 520-6444
Mary Cloud, Trinity, Houston, *Diocesan Council Coordinator*
Susan Duif, Trinity Church, Galveston
Kenneth Fields, St. Thomas the Apostle, Nassau Bay
William Fowler, Epiphany, Houston, *Chair, Dispatch of Business*
Seth Hinkley, Christ Church Cathedral, Houston
Tammy Tiner, St. Thomas', College Station
David Harvin, Chancellor, *Ex-officio*

3. DISPATCH OF BUSINESS

To 2015:

William Y. Fowler, Epiphany, Houston, *Chair*
12535 Perthshire Rd., Houston 77024 (713) 468-7796
Bruce McAnally, St. Richard's, Round Rock
Terry Nathan, St. David's, Austin
Tammy Tiner, St. Thomas', College Station

4. NOMINATIONS

Chris Duncan, St. Paul's, Katy, *Chair*
5373 Franz Rd., Katy 77493 (281) 391-2785
Mike Tomsu, Vice Chancellor, *Ex-officio*
Patrick Hall, Autry House, *For the Executive Board*
Greg Vincent, St. James', Austin, *For the Standing Committee*

To 2015:

Sandra Alonso-Ibarra, St. John's, Austin
David Bollinger, Good Shepherd, Tomball
The Rev. Chris Duncan, St. Paul's, Katy
The Rev. Janice Jones, St. Christopher's, Killeen

To 2016:

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

To 2017:

The Rev. Hannah Atkins, Trinity, Houston
Pauline Higgins, St. John the Divine, Houston
Corky Moore, St. Mark's Beaumont
The Rev. Bertie Pearson, San Francisco de Asis, Austin
The Rev. Pedro Lopez, St. Peter's/San Pedro, Pasadena

5. RESOLUTIONS

To 2015:

Keith Giblin, St. Paul's, Orange, *Chair*
8280 White Rd., Beaumont 77706 (409) 656-5500
James M. L. Grace, St. Andrew's, Houston
Susan Kennard, Trinity Church, Galveston
Trey Yarborough, Christ Church, Tyler

6. SUPERVISORS AND TELLERS

To 2015:

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

II. STANDING COMMITTEES OF THE COUNCIL

Pre-Council Report of the COMMITTEE for CONSTITUTION & CANONS to the 166th Council

(Type of Proposal)	(No. of Proposals)
A - Constitutional proposals, 2nd reading:	2
B - Constitutional proposals, 1st reading:	5
C - Canonical proposals:	22

A. CONSTITUTIONAL AMENDMENTS

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

Article 9 PROPERTY

EXISTING:

Section 9.1 *Title to Real Property*

The title to all real estate acquired for use of the Church in this diocese, including Parishes and Missions, as well as institutions of a diocesan character, shall be held subject to control of the Church in the Diocese of Texas acting by and through the Church Corporation known as "Protestant Episcopal Church Council of the Diocese of Texas"; provided, that (a) with consent of the Bishop, the Episcopal Foundation of Texas, The Bishop Quin Foundation, and St. Luke's Episcopal Hospital ("St. Luke's") and any affiliate of St. Luke's may each hold title to real property and may control, convey, and encumber such property without the consent, approval, or joinder of the Church Corporation, and (b) title to certain real property and related improvements, fixtures, appurtenances, and contract rights, as determined by the Church Corporation with the consent of the Bishop, may be held by and subject to the control of one or more separate Texas nonprofit corporations to be formed by the Diocese of Texas. The term "affiliate of St. Luke's" shall mean any Texas nonprofit corporation ("nonprofit corporation") created and administered for the sole benefit of St. Luke's and any nonprofit corporation of which St. Luke's or a nonprofit corporation created and administered for the sole benefit of St. Luke's is the sole member, as the term member is defined in the Texas Non Profit Corporation Act. Subject to the foregoing, all such property hereafter acquired for use of the Church in the Diocese, including Parishes and Missions, shall be vested in the Protestant Episcopal Church Council of the Diocese of Texas.

Section 9.2 *Diocesan Property*

Except as otherwise provided in Section 9.1, all property belonging to the Diocese, as such, shall be held in the name of the Church Corporation known as "Protestant Episcopal Church Council of the Diocese of Texas"; and no conveyance or encumbrance of any kind or character, unless it relates to property vested in the name of the Episcopal Foundation of

Texas or The Bishop Quin Foundation, shall be valid unless executed by such corporation and as may otherwise be provided by the Canons of the Diocese. All permanent funds of the Diocese, except those funds held by the Episcopal Foundation of Texas and The Bishop Quin Foundation, shall be held and invested by the "Protestant Episcopal Church Council of the Diocese of Texas."

PROPOSED:

Section 9.1 *Title to Real Property*

The title to all real estate acquired for use of the Church in this diocese, including Parishes and Missions, as well as institutions of a diocesan character, shall be held subject to control of the Church in the Diocese of Texas acting by and through the Church Corporation known as "Protestant Episcopal Church Council of the Diocese of Texas"; provided, that (a) with consent of the Bishop, the Episcopal Foundation of Texas, The Bishop Quin Foundation, ~~and St. Luke's Episcopal Hospital ("St. Luke's") and any affiliate of St. Luke's~~ the Episcopal Health Foundation, and the Great Commission Foundation may each hold title to real property and may control, convey, and encumber such property without the consent, approval, or joinder of the Church Corporation, and (b) title to certain real property and related improvements, fixtures, appurtenances, and contract rights, as determined by the Church Corporation with the consent of the Bishop, may be held by and subject to the control of one or more separate Texas nonprofit corporations to be formed by the Diocese of Texas. ~~The term "affiliate of St. Luke's" shall mean any Texas nonprofit corporation ("nonprofit corporation") created and administered for the sole benefit of St. Luke's and any nonprofit corporation of which St. Luke's or a nonprofit corporation created and administered for the sole benefit of St. Luke's is the sole member, as the term member is defined in the Texas Non Profit Corporation Act.~~ Subject to the foregoing, all such property hereafter acquired for use of the Church in the Diocese, including Parishes and Missions, shall be vested in the Protestant Episcopal Church Council of the Diocese of Texas.

Section 9.2 *Diocesan Property*

Except as otherwise provided in Section 9.1, all property belonging to the Diocese, as such, shall be held in the name of the Church Corporation known as "Protestant Episcopal Church Council of the Diocese of Texas"; and no conveyance or encumbrance of any kind or character, unless it relates to property vested in the name of the Episcopal Foundation of Texas ~~or~~, The Bishop Quin Foundation, the Episcopal Health Foundation, or the Great Commission Foundation shall be valid unless executed by such corporation and as may otherwise be provided by the Canons of the Diocese. All permanent funds of the Diocese, except those funds held by the Episcopal Foundation of Texas ~~and~~, The Bishop Quin Foundation, the Episcopal Health Foundation, and the Great Commission Foundation shall be held and invested by the "Protestant Episcopal Church Council of the Diocese of Texas."

IF AMENDED:

Section 9.1 *Title to Real Property*

The title to all real estate acquired for use of the Church in this diocese, including Parishes and Missions, as well as institutions of a diocesan character, shall be held subject to control of

the Church in the Diocese of Texas acting by and through the Church Corporation known as “Protestant Episcopal Church Council of the Diocese of Texas”; provided, that (a) with consent of the Bishop, the Episcopal Foundation of Texas, The Bishop Quin Foundation, the Episcopal Health Foundation, and the Great Commission Foundation may each hold title to real property and may control, convey, and encumber such property without the consent, approval, or joinder of the Church Corporation, and (b) title to certain real property and related improvements, fixtures, appurtenances, and contract rights, as determined by the Church Corporation with the consent of the Bishop, may be held by and subject to the control of one or more separate Texas nonprofit corporations to be formed by the Diocese of Texas. Subject to the foregoing, all such property hereafter acquired for use of the Church in the Diocese, including Parishes and Missions, shall be vested in the Protestant Episcopal Church Council of the Diocese of Texas.

Section 9.2 *Diocesan Property*

Except as otherwise provided in Section 9.1, all property belonging to the Diocese, as such, shall be held in the name of the Church Corporation known as “Protestant Episcopal Church Council of the Diocese of Texas”; and no conveyance or encumbrance of any kind or character, unless it relates to property vested in the name of the Episcopal Foundation of Texas, The Bishop Quin Foundation, the Episcopal Health Foundation, or the Great Commission Foundation shall be valid unless executed by such corporation and as may otherwise be provided by the Canons of the Diocese. All permanent funds of the Diocese, except those funds held by the Episcopal Foundation of Texas, The Bishop Quin Foundation, the Episcopal Health Foundation, and the Great Commission Foundation shall be held and invested by the “Protestant Episcopal Church Council of the Diocese of Texas.”

SUBMITTED BY: Bishop C. Andrew Doyle, the Executive Board, and the Directors of the Episcopal Health Foundation and the Great Commission Foundation.

RATIONALE (by the Chancellor on behalf of the Submitters): In 2013, St. Luke’s Episcopal Health System was sold to Catholic Health Initiatives, and the proceeds of the sale were used to establish the Episcopal Health Foundation and the Great Commission Foundation. The purposes of this proposed amendment are (i) to delete the references to St. Luke’s that are no longer needed and (ii) to add the Episcopal Health Foundation and the Great Commission Foundation to the list of diocesan foundations that may enter into real property transactions without the consent of the Church Corporation and also manage their own investments.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A SECOND READING.

Article 10
AMENDING CANONS

EXISTING:

Section 10.1 *Authority for Procedure*

Canons may be adopted, altered, amended, or repealed at any Annual Council meeting by a majority vote, unless a vote by orders be called for, whereupon a majority vote of both orders, voting concurrently, shall be necessary for adoption: provided (1) a two-thirds vote shall be required to adopt, alter, amend, or repeal any Canon, unless a copy of the proposed change to adopt, alter, amend, or repeal the Canon is first presented in writing to the Secretary of the Diocese or Chair of the Committee on Constitution and Canons not later than November 15 prior to the date of the Annual Council; but this shall not limit relevant amendments to any such proposal from the Council floor, and (2) the Canon relating to St. Luke's Episcopal Health System may be altered, amended, or repealed by an Annual Council or a Special Session of Council, and any one or more of the provisions of the Canon relating to St. Luke's Episcopal Health System may be adopted, altered, amended, or repealed by unanimous written consent of the Bishop, the full membership of the Board of Directors of St. Luke's Episcopal Health System, and the full membership of the voting membership of the Executive Board.

PROPOSED:

Section 10.1 *Authority for Procedure*

Canons may be adopted, altered, amended, or repealed at any Annual Council meeting by a majority vote, unless a vote by orders be called for, whereupon a majority vote of both orders, voting concurrently, shall be necessary for adoption: provided ~~(1)that~~ a two-thirds vote shall be required to adopt, alter, amend, or repeal any Canon, unless a copy of the proposed change to adopt, alter, amend, or repeal the Canon is first presented in writing to the Secretary of the Diocese or Chair of the Committee on Constitution and Canons not later than November 15 prior to the date of the Annual Council; but this shall not limit relevant amendments to any such proposal from the Council floor, ~~and (2) the Canon relating to St. Luke's Episcopal Health System may be altered, amended, or repealed by an Annual Council or a Special Session of Council, and any one or more of the provisions of the Canon relating to St. Luke's Episcopal Health System may be adopted, altered, amended, or repealed by unanimous written consent of the Bishop, the full membership of the Board of Directors of St. Luke's Episcopal Health System, and the full membership of the voting membership of the Executive Board.~~

IF AMENDED:

Section 10.1 *Authority for Procedure*

Canons may be adopted, altered, amended, or repealed at any Annual Council meeting by a majority vote, unless a vote by orders be called for, whereupon a majority vote of both orders, voting concurrently, shall be necessary for adoption: provided that a two-thirds vote shall be required to adopt, alter, amend, or repeal any Canon, unless a copy of the proposed change to adopt, alter, amend, or repeal the Canon is first presented in writing to the Secretary of the Diocese or Chair of the Committee on Constitution and Canons not later than November

15 prior to the date of the Annual Council; but this shall not limit relevant amendments to any such proposal from the Council floor.

Section 10.2 *Publication of Amendments*

Any change in any Canon adopted in Council shall be published in full in the *Journal* with proper notations of title, number, and section, with a brief statement of the nature of the change. The Secretary of the Diocese shall post the *Journal* record reflecting the action by Council and the wording of the new Canon on the Diocesan website or otherwise make it available to Clergy of the Diocese, members of the Council, and others interested.

Section 10.3 *Effective Date*

Any duly adopted Canon or any duly adopted alteration, amendment, or repeal of an existing Canon shall become effective on the day following the date of adjournment of the Diocesan Council Meeting at which it is so adopted.

SUBMITTED BY: Bishop C. Andrew Doyle and the Executive Board.

RATIONALE (by the Chancellor on behalf of the Submitters): The purpose of this amendment is to delete the provision relating to the St. Luke's Canon. With the transfer of St. Luke's to Catholic Health Initiatives, the St. Luke's Canon is no longer necessary, and a proposal to repeal it and replace it with a new canon relating to the Episcopal Health Foundation is also being submitted to Council. Thus the existing language in Article 10 relating to the St. Luke's Canon is no longer needed. Please note that this proposed amendment would amend the version of Article 10 that passed Council on the first reading in 2013 and is back before Council this year for final consideration.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A SECOND READING.

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

Article 2
THE COUNCIL

EXISTING:

Section 2.1 *Membership of the Council*

The Council of this Diocese shall consist of the following:

(f) Lay delegates representing the Division of Youth. The Division of Youth 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 Division of Youth shall be entitled to one Lay Delegate from each convocation within the Diocese; *provided that*, any such Lay Delegate under the age of 18 years shall have seat and voice, but without the right to vote. 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 Division of Youth shall be appointed by the Bishop after consultation with the 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 Division of Youth 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.

Section 2.6 *Time and Place of Meeting*

The Council of the Diocese shall assemble annually on the Friday following the first Sunday in February at such time and place as may be designated by a preceding Council; provided that for urgent cause, the Bishop, with the approval of the Standing Committee, may designate or alter the place or time, or both place and time, in which case due notice must be given.

PROPOSED:

Section 2.1 *Membership of the Council*

The Council of this Diocese shall consist of the following:

(f) Lay delegates representing the ~~Division of Youth~~ Youth Ministry of the Diocese. The ~~Division of Youth~~ 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 ~~Division of Youth~~ Youth Ministry of the Diocese shall be entitled to one Lay Delegate from each convocation within the Diocese; *provided that*, any such Lay Delegate under the age of 18 years shall have seat and voice, but without the right to vote. 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 ~~Division of Youth~~ Youth Ministry of the Diocese shall be appointed by the Bishop after consultation with the ~~Youth Missioner~~ 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 ~~Division of Youth~~ 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.

Section 2.6 *Time and Place of Meeting*

The Council of the Diocese shall assemble annually on ~~the~~ a Friday following any ~~the first~~ Sunday in February at such time and place as may be designated by a preceding Council; provided that for urgent cause, the Bishop, with the approval of the Standing Committee, may designate or alter the place or time, or both place and time, in which case due notice must be given.

IF AMENDED:

Section 2.1 *Membership of the Council*

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; *provided that*, any such Lay Delegate under the age of 18 years shall have seat and voice, but without the right to vote. 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.

Section 2.4 *Other Members – Voting*

All officers of the Council, members of the Standing Committee, members of the Executive Board, members of such regular or special committees as may be by action of the Council charged with a special duty during the interval between its usual meeting, and the President of the Episcopal Church Women of the Diocese of Texas, shall be members also of the Council, but unless duly elected Lay Delegates, shall be without the right to vote.

Section 2.5 *Attendance*

It is hereby declared to be the duty of every member of the Clergy entitled to a seat to attend the Council; and of every Parish and Mission to send one or more delegates. Each Parish or Mission is expected to make suitable provision, either by collection or otherwise, for the expense of the Clergy in fulfilling the above required duty.

Section 2.6 *Time and Place of Meeting*

The Council of the Diocese shall assemble annually on a Friday following any Sunday in February at such time and place as may be designated by a preceding Council; provided that for urgent cause, the Bishop, with the approval of the Standing Committee, may designate or alter the place or time, or both place and time, in which case due notice must be given.

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.

Section 2.8 *Procedure in Meeting*

In all meetings of the Council, both annual and special meetings, the procedure shall be according to provisions set forth by Canon.

Section 2.9 *Deliberations – Voting*

The Clerical and Lay Delegates shall deliberate as one body and shall vote as such on all questions and in all elections except in the election of a Bishop, or a Bishop Coadjutor, or a Bishop Suffragan. Each Clerical and Lay Delegate shall be entitled to one vote, and a majority of the aggregate votes shall be the decision of the question, unless otherwise provided in the Constitution and Canons.

Section 2.10 *President Pro Tem*

At all meetings of the Council, in the absence of the Bishop, or if the office of Bishop be vacant, a *President Pro Tem* shall be designated as prescribed by the Canons.

Section 2.11 *Special Meetings*

(a) Special meetings of the Council may be called by the Bishop at the Bishop's discretion, or upon the request of a majority of the Standing Committee. Notice of the meeting shall be as provided by Canon. If there be no Bishop, the Standing Committee shall have the power to call special meetings of the Council. When a vacancy in the Episcopate occurs more than four months before the next regular meeting of the Annual Council, it shall be the duty of the Standing Committee to call a special meeting of the Council to fill the vacancy, in which event, the Standing Committee must give reasonable notice of the time and place and purpose of the meeting.

(b) Whenever a special meeting of the Council shall be called, the business to be transacted shall be specified in the call, and no other business shall be transacted except that specified in the call.

(c) At any special meeting of the Council, a majority of all Clergy entitled to membership and lay representation from Parishes and Missions containing a majority of the communicants of the Diocese as reported at the next preceding Annual Council shall be necessary to constitute a quorum, but less than a quorum may adjourn from day to day for three days for the purpose of obtaining a quorum.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The term “Division of Youth” and “Youth Missioner” are organizational and positional terms no longer in used in the Diocese. Youth Ministry in the Diocese and youth missioner are more appropriate terms that describe the current approach to diocesan youth ministry and its leadership. Allowing the Council of the Diocese to assemble on the Friday following any Sunday in February allows the Council more flexibility in scheduling the next annual Council assembly.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

Article 2 THE COUNCIL

EXISTING:

Section 2.1 *Membership of the Council*

The Council of this Diocese shall consist of the following:

(f) Lay delegates representing the Division of Youth. The Division of Youth 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 Division of Youth shall be entitled to one Lay Delegate from each convocation within the Diocese; *provided that*, any such Lay Delegate under the age of 18 years shall have seat and voice, but without the right to vote. 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 Division of Youth shall be appointed by the Bishop after consultation with the Youth Missioner.

PROPOSED:

**Article 2
THE COUNCIL**

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 Division of Youth. The Division of Youth 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 Division of Youth shall be entitled to one Lay Delegate from each convocation within the Diocese; ~~provided that, any such Lay Delegate under the age of 18 years shall have seat and voice, but without the right to vote.~~ 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 Division of Youth shall be appointed by the Bishop after consultation with the Youth Missioner.

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 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 Division of Youth. The Division of Youth 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 Division of Youth 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 Division of Youth shall be appointed by the Bishop after consultation with the 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 Division of Youth 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.

Section 2.4 *Other Members – Voting*

All officers of the Council, members of the Standing Committee, members of the Executive Board, members of such regular or special committees as may be by action of the Council charged with a special duty during the interval between its usual meeting, and the President of the Episcopal Church Women of the Diocese of Texas, shall be members also of the Council, but unless duly elected Lay Delegates, shall be without the right to vote.

Section 2.5 *Attendance*

It is hereby declared to be the duty of every member of the Clergy entitled to a seat to attend the Council; and of every Parish and Mission to send one or more delegates. Each Parish or Mission is expected to make suitable provision, either by collection or otherwise, for the expense of the Clergy in fulfilling the above required duty.

Section 2.6 *Time and Place of Meeting*

The Council of the diocese shall assemble annually on the Friday following the first Sunday in February at such time and place as may be designated by a preceding Council; provided that for urgent cause, the Bishop, with the approval of the Standing Committee, may designate or alter the place or time, or both place and time, in which case due notice must be given.

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.

Section 2.8 *Procedure in Meeting*

In all meetings of the Council, both annual and special meetings, the procedure shall be according to provisions set forth by Canon.

Section 2.9 *Deliberations – Voting*

The Clerical and Lay Delegates shall deliberate as one body and shall vote as such on all questions and in all elections except in the election of a Bishop, or a Bishop Coadjutor, or a Bishop Suffragan. Each Clerical and Lay Delegate shall be entitled to one vote, and a majority of the aggregate votes shall be the decision of the question, unless otherwise provided in the Constitution and Canons.

Section 2.10 *President Pro Tem*

At all meetings of the Council, in the absence of the Bishop, or if the office of Bishop be vacant, a *President Pro Tem* shall be designated as prescribed by the Canons.

Section 2.11 *Special Meetings*

(a) Special meetings of the Council may be called by the Bishop at the Bishop's discretion, or upon the request of a majority of the Standing Committee. Notice of the meeting shall be as provided by Canon. If there be no Bishop, the Standing Committee shall have the power to call special meetings of the Council. When a vacancy in the Episcopate occurs more than four months before the next regular meeting of the Annual Council, it shall be the duty of the Standing Committee to call a special meeting of the Council to fill the vacancy, in which event, the Standing Committee must give reasonable notice of the time and place and purpose of the meeting.

(b) Whenever a special meeting of the Council shall be called, the business to be transacted shall be specified in the call, and no other business shall be transacted except that specified in the call.

(c) At any special meeting of the Council, a majority of all Clergy entitled to membership and lay representation from Parishes and Missions containing a majority of the

communicants of the Diocese as reported at the next preceding Annual Council shall be necessary to constitute a quorum, but less than a quorum may adjourn from day to day for three days for the purpose of obtaining a quorum.

SUBMITTED BY: The Diocesan Youth Delegates.

RATIONALE (by The Diocesan Youth Delegates): The impact of this amendment is to give youth the right to vote as members of Council. According to the Constitution of the Diocese of Texas, every youth delegate must be a confirmed member in good standing. Within these confirmation vows rests a deep maturity of faith in Jesus Christ and a responsibility to the Church. Each youth delegate takes that responsibility seriously by undergoing a nomination and application process. This includes interviewing and responding to a series of essay questions. After appointed, youth delegates attend an intensive two-day council orientation that educates them over proposed amendments, resolutions, and nominations. This displays that selected delegates are mature in their faith and duty to the diocese. Currently, six out of the twelve dioceses in Province VII give seat, voice, and vote to their youth delegates.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

Article 4 OFFICERS AND ELECTIONS

EXISTING:

Section 4.2 *Bishop's Salary*

The salary of the Bishop of this Diocese shall never be less than five thousand dollars.

PROPOSED:

Section 4.2 — ~~*Bishop's Salary*~~

~~The salary of the Bishop of this Diocese shall never be less than five thousand dollars.~~

IF AMENDED:

Section 4.1 *Election of Officers*

Election of a Bishop, a Bishop Coadjutor, or a Bishop Suffragan for this Diocese shall be as follows: After special petitions for divine guidance, the members of the Council shall nominate some fit and qualified members of the Clergy for the office. A majority of the votes cast on the same ballot by both the Clergy and Lay delegates entitled to vote and present in Council and voting separately and concurrently by orders on such ballot shall be necessary for such an election.

In the case of all other elections of officers, or members of committees, or delegates, the Council may by unanimous consent provide that a plurality of all votes cast by the qualified voters shall be decisive.

Section 4.2 *(This section has been deleted)*

Section 4.3 *Officers*

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

Section 4.4 *Time of Elections – Special Elections*

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

Section 4.5 *Terms of Office*

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

Section 4.6 *Duties of Officers*

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

Section 4.7 *Deputies to General Convention*

(a) The Annual Council next preceding the date which is one year prior to the next regular meeting of the General Convention of the Church shall elect four Clerical Deputies and four Lay Deputies to represent this Diocese in the said General Convention at any regular or called meeting of the General Convention. The Clerical Deputies shall be Presbyters or Deacons, in either case canonically resident in the Diocese. The Lay Deputies shall be at least 18 years of age and shall be confirmed communicants in good standing resident in the Diocese.

(b) There may be elected at the same time four Clerical Alternates and four Lay Alternates from whom the Bishop may designate one or more as necessary to supply any deficiency in the representation. If there be no Bishop, the power of designation shall be exercised by the Standing Committee.

(c) To assure a full representation of this Diocese in the General Convention, the Standing Committee, when necessary, shall appoint qualified representatives to supply any

deficiency and such appointments shall have the full force and effect of an election by the Council.

Section 4.8 *Delegates to Provincial Synod*

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

Section 4.9 *System of Voting*

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

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): Fixing a minimum for the bishop's salary is an obsolete practice and is no longer needed.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

Article 6
SUSPENSION AND DISSOLUTION OF PARISHES AND MISSIONS

EXISTING:

Section 6.3 *Failure to Pay Quotas, or to Comply with Canons*

Provision may be made by Canon to suspend a Parish or Mission from the right of representation in the Council for failure to pay its quota of taxes or assessment, or to comply with requirements of the Canon, and provisions may be made in the Canon with reference to the vote necessary to suspend the Parish or Mission aforesaid.

Section 6.5 *Aided Parishes*

When a Parish for any reason deems it necessary to receive aid for the support of its rector, either from the Diocese, or as provided in the Canons by combining with another congregation, such congregation or congregations shall be automatically listed on the official roll of the Council as "aided parishes" until such time as that relationship is discontinued and the Parish resumes the entire support of its rector.

PROPOSED:

Section 6.3 *Failure to Pay ~~Quotas~~ Assessments or to Comply with Canons*

Provision may be made by Canon to suspend a Parish or Mission from the right of representation in the Council for failure to pay its ~~quota of taxes or~~ assessment, or to comply with requirements of the Canon, and provisions may be made in the Canon with reference to the vote necessary to suspend the Parish or Mission aforesaid.

Section 6.5 ~~—~~ *Aided Parishes*

~~When a Parish for any reason deems it necessary to receive aid for the support of its rector, either from the Diocese, or as provided in the Canons by combining with another congregation, such congregation or congregations shall be automatically listed on the official roll of the Council as “aided parishes” until such time as that relationship is discontinued and the Parish resumes the entire support of its rector.~~

IF AMENDED:

Section 6.1 *Action by Council*

Any Parish or Organized Mission may be suspended from the right of representation in the Council of this Diocese, or its existence wholly dissolved, whenever the same shall be deemed necessary, by a two-thirds vote of each order.

Section 6.2 *Action on Recommendation of Bishop*

Whenever, in the opinion of the Bishop, any Parish or Organized Mission is essentially defunct, and the Bishop shall so report to the Council, it may proceed to suspend or dissolve the Parish or Organized Mission.

Section 6.3 *Failure to Pay Assessments or to Comply with Canons*

Provision may be made by Canon to suspend a Parish or Mission from the right of representation in the Council for failure to pay its assessments, or to comply with requirements of the Canon, and provisions may be made in the Canon with reference to the vote necessary to suspend the Parish or Mission aforesaid.

Section 6.4 *Remitting Parishes to Missions*

Provision may also be made by Canon for remitting dormant Parishes to the position of an Organized Mission.

Section 6.5 *(This section has been deleted)*

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): “Quotas” is a term no longer utilized in the Diocese. “Aided Parishes” is a category no longer used in the Diocese.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

Article 7
SUPPORT OF THE DIOCESE

EXISTING:

Section 7.1 *Council May Levy Taxes and Assessments*

The Council shall have the power by Canon or by Special Resolution to raise money by tax or assessment upon the Parishes and Organized Missions in union with the Council for the necessary and proper expenses of the Diocese, which include the incidental expenses of the Council, the charges of the General Convention, the support of the Episcopate, and for such other objects and purposes as the Council may from time to time approve and direct. In making assessments against Parishes and Missions, regard shall be had as far as practicable to their financial strength and ability. The Council may, by Canon, prescribe such regulations and penalties as it may deem expedient to secure the prompt payments of taxes and assessments.

PROPOSED:

Section 7.1 *Council May Levy ~~Taxes and~~ Assessments*

The Council shall have the power by Canon or by Special Resolution to raise money by ~~tax~~ or assessment upon the Parishes and Organized Missions in union with the Council for the necessary and proper expenses of the Diocese, which include the incidental expenses of the Council, the charges of the General Convention, the support of the Episcopate, and for such other objects and purposes as the Council may from time to time approve and direct. In making assessments against Parishes and Missions, regard shall be had as far as practicable to their financial strength and ability. The Council may, by Canon, prescribe such regulations and penalties as it may deem expedient to secure the prompt payments of ~~taxes and~~ assessments.

IF AMENDED:

Section 7.1 *Council May Levy Assessments*

The Council shall have the power by Canon or by Special Resolution to raise money by assessment upon the Parishes and Organized Missions in union with the Council for the necessary and proper expenses of the Diocese, which include the incidental expenses of the Council, the charges of the General Convention, the support of the Episcopate, and for such other objects and purposes as the Council may from time to time approve and direct. In making assessments against Parishes and Missions, regard shall be had as far as practicable to their financial strength and ability. The Council may, by Canon, prescribe such regulations and penalties as it may deem expedient to secure the prompt payments of assessments.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The term “taxes” is no longer used in the Diocese.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

C. CANONICAL AMENDMENTS

Canon 1 THE COUNCIL

EXISTING:

Section 1.3 *Lay Delegates to be Certified*

The selection of Lay Delegates shall be certified in writing by the Rector or Minister in Charge, and if there be none, then by the Secretary of the Vestry, or by one of the Wardens in the absence of the Secretary.

Section 1.6 *Notice of Special Meetings*

Notice of any special meeting of the Council, when ordered by the Bishop, shall be given by the Secretary, through the mail, to each member of the Clergy and to each Parish and Mission in the Diocese. If called by the Standing Committee, in accordance with Article 2 of the Constitution, sixty days notice must be given by the Secretary of the Diocese and by the same method provided above. Provided, however, that when the special meeting is called to fill a vacancy in the Episcopate, as provided in Article 2 of the Constitution, the notice may not be less than thirty days.

Section 1.7 *Expenses of Council Meetings*

The Parish acting as host at meetings of the Council may charge a reasonable registration fee for each delegate to such Council, to include a reasonable charge for meals and other essential services furnished delegates and Council. All fees and charges so received shall supplement any appropriation made by Council for such purposes, and shall be used to assist in defraying expenses of the host Parish in acting as host to the Council.

PROPOSED:

Section 1.3 *Lay Delegates to be Certified*

The selection of Lay Delegates shall be certified in writing by the ~~Rector or~~ Rector, Priest-in-Charge, or other head of the congregation (collectively Minister in Charge “Heads of Congregation”), and if there be none, then by the Secretary of the Vestry, ~~or by one of the Wardens in the absence of the Secretary.~~

Section 1.6 *Notice of Special Meetings*

Notice of any special meeting of the Council, when ordered by the Bishop, shall be given by the Secretary, through the mail or electronic communications, to each member of the Clergy and to each Parish and Mission in the Diocese. If called by the Standing Committee, in accordance with Article 2 of the Constitution, sixty days notice must be given by the Secretary of the Diocese and by the same method provided above. Provided, however, that when the special meeting is called to fill a vacancy in the Episcopate, as provided in Article 2 of the Constitution, the notice may not be less than thirty days.

Section 1.7 *Expenses of Council Meetings*

~~The Parish acting as host at meetings of the Council-Diocese may charge a reasonable registration fee for each delegate to such Council meetings, to include a reasonable charge for meals and other essential services furnished delegates and Council. All fees and charges so received shall supplement any appropriation made by Council for such purposes, and shall be used to assist in defraying expenses of the host Parish in acting as host to the Council.~~

IF AMENDED:

Section 1.1 *Membership*

The Constitution defines who are members of the Council of the Diocese.

Section 1.2 *Roll of Clergy and Lay Delegates*

A list of the Clergy entitled to membership in the Council shall be furnished by the Bishop, or if there be none, by the Standing Committee, and a list of the Lay Delegates, to be compiled by the Secretary from the certificates returned to the Secretary from the several Parishes and Missions at the assembling of the Council, shall constitute the roll of its membership. The Council may at any time order the correction of said roll in order that it may contain only the names of all the qualified members of the Council.

Section 1.3 *Lay Delegates to be Certified*

The selection of Lay Delegates shall be certified in writing by the Rector, Priest-in-Charge, or other head of the congregation (collectively "Heads of Congregation"), and if there be none, then by the Secretary of the Vestry.

Section 1.4 *Alternate Delegates*

It shall be competent for a Parish or Mission to elect as many alternates as it is entitled to delegates, who shall be allowed seats in the Council and shall cast the vote in the absence of the regular delegates; provided, the election of the alternates shall be certified as required for delegates.

Section 1.5 *Meetings*

Meetings of the Council are provided by Article 2 of the Constitution.

Section 1.6 *Notice of Special Meetings*

Notice of any special meeting of the Council, when ordered by the Bishop, shall be given by the Secretary, through the mail or electronic communications, to each member of the Clergy and to each Parish and Mission in the Diocese. If called by the Standing Committee, in accordance with Article 2 of the Constitution, sixty days notice must be given by the Secretary of the Diocese and by the same method provided above. Provided, however, that when the special meeting is called to fill a vacancy in the Episcopate, as provided in Article 2 of the Constitution, the notice may not be less than thirty days.

Section 1.7 *Expenses of Council Meetings*

The Diocese may charge a reasonable registration fee for each delegate to such Council meetings, to include a reasonable charge for meals and other essential services furnished delegates and Council. All fees and charges so received shall supplement any appropriation made by Council for such purposes, and shall be used to assist in defraying expenses.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): For Section 1.3, the term “Minister in Charge” is not inclusive of other leaders of congregations; “Head of Congregation” is more inclusive of ordained and/or lay persons that may be head of a congregation, and provides a consistent title used throughout our Canons and other documents. Allowing for electronic communications in Section 1.6 authorizes notice of special meetings to be sent via more than one channel and/or more expeditiously. The change in Section 1.7 aligns policy with practice, since Council is no longer hosted by a single parish.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 2
THE DISPATCH OF BUSINESS FOR COUNCIL

EXISTING:

Section 2.2 *Other Council Duties*

(d) The Executive Board Division of Finance shall recommend to Council the use of any Offerings taken during Council meetings, and to study the cost of Council with such recommendations as seem advisable.

PROPOSED:

Section 2.2 *Other Council Duties*

(d) The Finance Committee of the Executive Board ~~Division of Finance~~ shall recommend to Council the use of any Offerings taken during Council meetings, and to study the cost of Council with such recommendations as seem advisable.

IF AMENDED:

Section 2.1 *The Dispatch of Business*

(a) Council shall open with Divine service.

(b) All business of Council shall be presented by or through any officer of the Diocese, any member of the Executive Board, any of the regular committees of Council, or as specified by this Canon.

(c) The regular committees of Council shall be the following, and such other regular committees as the Council may hereafter create by Canon:

- (1) Dispatch of Business
- (2) Constitution and Canons
- (3) Nominations
- (4) Supervisors and Tellers
- (5) Resolutions
- (6) Council Management

(d) All regular committees appointed shall hold office from the close of the Annual Council at which their appointment is made until the close of the next Annual Council.

(e) The Committee for Dispatch of Business shall consist of one member of the Clergy and three (3) lay persons. This Committee shall present a report outlining the procedure of Council, with a copy of the Canon entitled *The Dispatch of Business for Council*. This report may include changes in the procedure of Council set forth in this Canon, when considered advisable in order to facilitate the business of the Council. Such report, if approved by Council, shall be recognized in conducting the business of Council.

(f) The Committee for Constitution and Canons shall consist of two members of the Clergy, two lay persons, and the Chancellor, who shall be an *ex-officio* member. It shall be the duty of this Committee to receive every proposed change, alteration, or new Article of the Constitution or Canons of the Diocese, submitted to the secretary or chair of the Committee for Constitution and Canons by November 15th prior to the next Annual Council. It shall be the duty of this Committee to change the wording of such proposals to conform to the Constitution and Canons of the Diocese. It shall be the privilege of the Committee to evaluate these proposals and recommend their adoption or rejection. The action of this Committee will be published in Volume I of the *Journal*.

(g) The Committee for Nominations shall consist of seven members of the clergy and seven lay persons whose selection and duties are outlined in the Canons of the Diocese, and the Chancellor of the Diocese, or in the event of the Chancellor's inability to serve, a Vice-Chancellor of the Diocese.

(h) The Committee for Supervisors and Tellers shall consist of two members of the Clergy and three lay persons. It shall be the duty of this Committee to secure such additional help from members of Council or responsible persons not members of Council to distribute, collect, and count the ballots or to supervise the voting in case voting machines are used.

(i) The Committee for Resolutions shall consist of two members of the Clergy and two lay persons. It shall be the duty of this Committee to receive resolutions presented to it in writing by any member of the forthcoming or last preceding Council, or by any committee or board not responsible for the dispatch of business of Council, provided these resolutions, along with any explanation of the rationale for the proposed resolutions, are mailed or attached to emails directed to the Chair of the Committee. Unless the Bishop of the Diocese grants an exception, all resolutions must be submitted to the Committee not later than November 15 preceding the next Annual Council; but this shall not limit relevant amendments to any such resolution from the Council floor. The Committee may require all resolutions to be submitted in a standardized format and shall make such change of wording as is necessary for such resolutions to conform to proper usage and understanding. The Committee will inform the mover of any changes made. The Committee shall have the right to evaluate all resolutions and to recommend their adoption or rejection. The Committee shall have the right to rank the resolutions in an order of importance as determined by the Committee and present them to Council in that order. The Committee may request discharge from consideration by Council of resolutions, which would seek similar action to that of a resolution previously considered. A two-thirds vote shall be required to adopt any resolutions submitted to Council pursuant to an exception granted by the Bishop of the Diocese. The action of this Committee will be published in Volume I of the *Journal*. It shall also be the duty of this Committee to implement and set in motion the suggestions and directions contained in the Bishop's Address to Council. Those matters that come within the purview of jurisdiction of any particular Committee of Council shall be referred to the appropriate Committee for action.

(j) The Committee for Council Management shall consist of one member of the Clergy, two lay persons, a member of the Diocesan Staff, and the following *ex-officio* members: the General Chairs of the host committee for the current and the immediately preceding Councils, and Chair of the Committee for the Dispatch of Business. It shall be the duty of the Committee to assist the Bishop in: (1) developing and maintaining a Council Manual, consisting of detailed descriptions of each principal activity of Council, to serve as guidance for future Council Host Committees; (2) developing record keeping requirements and formats for Council Host Committees; (3) locating and securing appropriate sites for Council; and (4) making recommendations to the Executive Board and Committee for Dispatch of Business concerning changes in the organization of Council that would better facilitate the business of Council.

Section 2.2 *Other Council Duties*

(a) Other Council duties will be carried out as follows:

- (1) Credentials
- (2) New Parishes and Missions
- (3) Finance
- (4) Unfinished Business and Certification of Minutes

(b) The Secretary of the Diocese will be responsible for certifying the credentials of the officers and delegates present. Before any business is dispatched during any Council, a satisfactory report from the Secretary shall be made and the President shall declare that Council is organized for business. Before any further business is dispatched during any Session, a quorum shall be established.

(c) A designee of the Bishop, or, if the office of Bishop is vacant, of the Standing Committee will be responsible for recommending to Council the admission of new Parishes and Missions. The Bishop's designee shall be ready to report at the opening of Council.

(d) The Finance Committee of the Executive Board shall recommend to Council the use of any Offerings taken during Council meetings, and to study the cost of Council with such recommendations as seem advisable.

(e) The Secretary of the Diocese shall prepare the minutes of Council which minutes shall be attested by the Bishop. It shall also be the duty of the Secretary to see that every committee, board, or person whose duty it is to report to Council does report. It is further the duty of the Secretary to see that every action of Council requiring a report be satisfied or held over to the next session of Council.

(f) The Bishop, or in the Bishop's absence, the Bishop Coadjutor, if there be one, otherwise the Bishop Suffragan having seniority if there be one, otherwise the oldest canonically senior member of the Clergy present shall preside at all Council meetings. The presiding officer of Council shall be known as the President of Council.

Section 2.3 *Annual Council Proceedings*

(a) Subject to such changes recommended by the Committee for Dispatch of Business and approved by Council, the business of each Annual Council shall include the following:

- (1) The Order for The Administration of the Lord's Supper or Holy Communion
- (2) Opening Prayer and Reading of Scripture
- (3) Declaration of a Quorum and Certification of Credentials by the Secretary
- (4) Declaration that the Council is organized for business and Appointment of a Parliamentarian
- (5) Report of the Committee for Dispatch of Business
- (6) Report by the Secretary on Unfinished Business and Certification of the Minutes

- (7) The President shall appoint new members for the regular committees of Council to fill any vacancies on said committees appointed at the preceding Council
 - (8) Report of the Department of Evangelism and Congregational Development
 - (9) The address of the Bishop, if not presented at the opening service of Council before the First Session, shall be given preference whenever presented. The address of the Bishop Coadjutor, if there be one, or the Bishop Suffragan, shall be given preference whenever presented, or may be presented by title and printed in the *Journal*.
 - (10) Report of the Nominating Committee and elections
 - (11) Report of the Committee for Constitution and Canons
 - (12) Report of the Committee for Resolutions
 - (13) Report of the Treasurer of the Diocese and Treasurer of the Executive Board
 - (14) Additional Reports may be received at any time during Council that the Committee on Dispatch of Business and the President determine convenient and appropriate.
- (b) The following business must be transacted before adjournment:
- (1) Report of the Committee for Constitution and Canons
 - (2) Report of the Committee for Resolutions
 - (3) Elections on appointment of the Bishop
 - (4) Appointment of members to the Regular Committees for the next Council
 - (5) Report of the Secretary on Unfinished Business and Certification of Minutes.
- (c) Council shall adjourn by motion and with the Doxology and Benediction.

Section 2.4 *Special Sessions of Council*

- (a) The following procedure shall open the Special Session:
- (1) Roll Call by the Secretary
 - (2) Declaration of Quorum present
 - (3) Report of the Secretary on Credentials
 - (4) Declaration that the Session is ready for business
 - (5) Report of the Committee for Dispatch of Business
 - (6) Report of the Committee for the Special Session
- (b) The business conducted during this Session shall follow the direction of the Constitution and Canons of the Diocese of Texas.
- (c) The following procedure shall close the Special Session:
- (1) Report of the Committee for Resolutions

- (2) Report of the Secretary on Unfinished Business and Certification of Minutes
- (3) Motion, Adjournment, Doxology, and Benediction

Section 2.5 *General Rules for Order and Procedure*

- (a) At all Council meetings the Council may take recess at its option.
- (b) Members of Council, officers of the Diocese, and representatives of the news media are the only ones to be admitted to the Council Floor. Boundaries of the Council Floor shall be clearly defined. All visitors may sit outside of this boundary as the space will permit.
- (c) Members desiring to speak shall rise, respectfully address the Chair, identify themselves by name and parish or mission, and confine themselves to the subject under discussion. They are to avoid personalities, irreverences, personal feelings, and experiences. Members shall not speak more than twice on the same proposition.
- (d) Written reports shall be submitted with a signed original, and one copy and accompanied by resolution when action by the Council is recommended.
 - (1) All reports to Council shall be given to the Secretary of the Diocese and shall become the property of the Diocese. When directed by the Executive Board, reports shall be sent by the Chair of each Committee, Commission, Board, or person responsible for preparing same to the Secretary of the Diocese, on or before a date not less than forty-five days prior to the next regular meeting of the Council, such date to be specified in a written notice which shall be given by the Secretary of the Diocese to each such person. These reports shall be published in a pre-Council booklet and copies made available, at least two weeks before the opening of Council, to all Members of the Clergy, Officers of the Diocese, and Delegates and Alternates who are to attend the next regular meeting of the Council. All such reports having been so published shall be presented to the Council by title. Any member of Council shall have the privilege of questioning the person responsible for such report.
- (e) Every motion or resolution shall be seconded and stated by the Chair or the Secretary before it can be considered, and if required by the Chair, it shall be reduced to writing and signed by the mover.
 - (1) Any motion or resolution, withdrawn without action thereon by the Council, need not be noted on the record. The Council may exclude from the record any motion or resolution which has been negated by the Council or which has been ruled out of order.
 - (2) A motion to adjourn shall always be in order when no member is speaking, and shall be decided without debate; but if negated, it shall not be renewed until some other business has intervened.
- (f) When a proposition is under consideration, no motion shall be received except to adjourn, to lay on the table, to postpone, to commit, to amend, or to divide - said motions taking precedence in the order named. The motion to lay on the table is not debatable.

(1) A proposition once decided or indefinitely postponed shall not be considered by the same Council unless a motion to reconsider is made by a delegate who voted on the prevailing side and can show the same by three witnesses, and provided a quorum is present. If adopted, the vote must be by two-thirds of the members present.

(g) Subject to the foregoing, the Rules of Order of the House of Deputies of the General Convention, where applicable, shall obtain in all deliberations of the Council, and shall be enforced by the President without debate, subject to an appeal from the President's decision to the Council.

(h) Additional matters may be presented to the Council at such time as determined by the Committee for Dispatch of Business, consistent with the other provisions of this Canon. The Committee may limit the time for consideration of such matters. It shall be the privilege of this Committee to evaluate these matters and recommend the acceptance or rejection of them in the order of Business.

(i) Any of these rules may be suspended by the concurrence of two-thirds of the members present.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): "Division of Finance" referenced in Section 2.2(d) is an organizational term no longer used in the Diocese. The Finance Committee of the Executive Board has assumed its function and duties.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 3 NOMINATIONS AND ELECTIONS

EXISTING:

Section 3.2 *Nominations*

The Committee for Nominations shall meet annually, after November 10th, but prior to the deadline for submission for publication in Volume I of the *Journal*. Notice of the time, date, and place of meeting with the name and address of the Chair of the Committee shall be posted on the Diocesan website prior to the meeting date, and references to the posted information shall be contained in Diocesan electronic news publications distributed at least four weeks prior to the date of the meeting to all members of the Clergy entitled to membership in the Council and Parishes and Missions. Suggestions to the Committee for Nominations of the persons to fill all offices in the Diocese and representative positions on Committees and as Deputies, Delegates, or Alternates to the General Convention or Provincial Synod shall be submitted with complete biographical information to the Chair of the Committee not later than November 10th preceding the next Annual Council at which the nominations will be considered. The Committee is directed to choose from the persons suggested, and if necessary or appropriate, from persons it selects, the nominees it believes to be best qualified for the positions to be

filled, being mindful of the desirability of a balanced slate of nominees representative of the diversity of the Diocese. At least two persons shall be nominated by the Committee for each office or position to be filled, except that this minimum number of nominees shall not apply (a) to the offices of Secretary of the Diocese and Treasurer of the Diocese, (b) to those offices to be filled on the nomination of the Bishop or Bishop Coadjutor, or (c) to nominations for membership on the Boards of the Young Ladies' Church Institute and the Church Foundation at Rice University. Additional nominations may be made from the floor at the Council. No member of the Committee for Nominations may be nominated by the Committee for any elective office, but such member may be so nominated from the floor.

Section 3.4 *Report of the Committee for Nominations*

The report of the Committee for Nominations shall be presented at the first or second session of the Council. Unless voting machines, or other mechanical or electronic devices are used, the report shall contain sufficient copies of a ballot for use in voting, and shall show the names of those selected by the Nominating Committee. Nominations may be made from the floor. One or more groups of supervisors and tellers for the election shall be appointed.

Section 3.5 *Voting*

The voting shall be by voting machines or other mechanical or electronic devices, or by written ballot, unless the delegates shall unanimously desire a voice vote. If the voting is by written ballot, it may commence at the first or any subsequent session of the Council. However, if the voting is by voting machines, or other mechanical or electronic devices, it may be conducted at such place and time as the Council may direct.

PROPOSED:

Section 3.2 *Nominations*

The Committee for Nominations shall meet annually, after November 10th, but prior to the deadline for submission for publication in Volume I of the *Journal*. Notice of the time, date, and place of meeting with the name and address of the Chair of the Committee shall be posted on the Diocesan website prior to the meeting date, and references to the posted information shall be contained in Diocesan electronic news publications distributed at least four weeks prior to the date of the meeting to all members of the Clergy entitled to membership in the Council and Parishes and Missions. Suggestions to the Committee for Nominations of the persons to fill all offices in the Diocese and representative positions on Committees and as Deputies, Delegates, or Alternates to the General Convention or Provincial Synod shall be submitted with complete biographical information to the Chair of the Committee not later than November 10th preceding the next Annual Council at which the nominations will be considered. The Committee is directed to choose from the persons suggested, and if necessary or appropriate, from persons it selects, the nominees it believes to be best qualified for the positions to be filled, being mindful of the desirability of a balanced slate of nominees representative of the diversity of the Diocese. At least two persons shall be nominated by the Committee for each office or position to be filled, except that this minimum number of nominees shall not apply (a) to the offices of Secretary of the Diocese and Treasurer of the Diocese, or (b) to those offices to be filled on the nomination of the Bishop or Bishop Coadjutor, ~~or (c) to nominations for membership on the Boards of the Young Ladies' Church Institute and the Church Foundation~~

~~at Rice University.~~ Additional nominations may be made from the floor at the Council. No member of the Committee for Nominations may be nominated by the Committee for any elective office, but such member may be so nominated from the floor.

Section 3.4 *Report of the Committee for Nominations*

The report of the Committee for Nominations shall be presented to the Council at a time set by the Committee for Dispatch of Business. ~~at the first or second session of the Council.~~ Unless voting machines, or other mechanical or electronic devices are used, the report shall contain sufficient copies of a ballot for use in voting, and shall show the names of those selected by the Nominating Committee. Nominations may be made from the floor. One or more groups of supervisors and tellers for the election shall be appointed.

Section 3.5 *Voting*

The voting shall be by voting machines or other mechanical or electronic devices, or by written ballot, unless the delegates shall unanimously desire a voice vote. If the voting is by written ballot, it may commence at any time after the presentation of the report of the Committee for Nominations. ~~the first or any subsequent session of the Council.~~ However, if the voting is by voting machines, or other mechanical or electronic devices, it may be conducted at such place and time as the Council may direct.

IF AMENDED:

Section 3.1 *Membership*

The Committee for Nominations shall consist of seven members of the Clergy, seven lay persons, and the Chancellor of the Diocese, or in the event of the Chancellor's inability to serve, a Vice Chancellor of the Diocese. The clergy and lay members of the Committee for Nominations shall be selected in the following manner:

- (a) Six members of the clergy and six lay persons shall be appointed for rotating three-year terms as follows:

At the Council in which this amendment first becomes effective, the Bishop shall select two members of the clergy and two lay persons to serve a one-year term; two members of the clergy and two lay persons to serve a two-year term; and two members of the clergy and two lay persons to serve a three-year term. At each subsequent Annual Council, the Bishop shall select two members of the Clergy and two lay persons to serve three-year terms on the Committee, plus fill any vacancies that have arisen. The Bishop shall designate one of the members of the Clergy on the Committee as its Chair for the ensuing year. No member of the Committee who has completed a three-year term shall be eligible for reappointment to the Committee until a period of one year shall have elapsed.

- (b) The Standing Committee shall select one member of the Clergy from its membership and the Executive Board shall select one lay person from its membership. Such selections shall be made at the first meeting following each Annual Council, and each shall certify the name of its selected member to the Bishop before March 1.

The Committee for Nominations so selected shall serve until the close of the next Annual Council.

Any member of the Committee for Nominations may resign at any time prior to November 15th of any year. Any vacancy occurring on the Committee for Nominations shall be filled by the Bishop for the unexpired term of the position to be filled; provided that a vacancy in the position of the member selected by the Standing Committee shall be filled by the President of the Standing Committee for the unexpired term of the position to be filled; provided that if no Clergy member of the Standing Committee is eligible, the position shall be filled by the Bishop from other members of the Clergy of this Diocese.

Section 3.2 *Nominations*

The Committee for Nominations shall meet annually, after November 10th, but prior to the deadline for submission for publication in Volume I of the *Journal*. Notice of the time, date, and place of meeting with the name and address of the Chair of the Committee shall be posted on the Diocesan website prior to the meeting date, and references to the posted information shall be contained in Diocesan electronic news publications distributed at least four weeks prior to the date of the meeting to all members of the Clergy entitled to membership in the Council and Parishes and Missions. Suggestions to the Committee for Nominations of the persons to fill all offices in the Diocese and representative positions on Committees and as Deputies, Delegates, or Alternates to the General Convention or Provincial Synod shall be submitted with complete biographical information to the Chair of the Committee not later than November 10th preceding the next Annual Council at which the nominations will be considered. The Committee is directed to choose from the persons suggested, and if necessary or appropriate, from persons it selects, the nominees it believes to be best qualified for the positions to be filled, being mindful of the desirability of a balanced slate of nominees representative of the diversity of the Diocese. At least two persons shall be nominated by the Committee for each office or position to be filled, except that this minimum number of nominees shall not apply (a) to the offices of Secretary of the Diocese and Treasurer of the Diocese or (b) to those offices to be filled on the nomination of the Bishop or Bishop Coadjutor. Additional nominations may be made from the floor at the Council. No member of the Committee for Nominations may be nominated by the Committee for any elective office, but such member may be so nominated from the floor.

Section 3.3 *Notice of Nominations*

The names of the nominees of the Committee for Nominations shall be posted on the Diocesan website and referenced in Diocesan electronic news publications distributed prior to the Annual Council meeting.

Section 3.4 *Report of the Committee for Nominations*

The report of the Committee for Nominations shall be presented to the Council at a time set by the Committee for Dispatch of Business. Unless voting machines, or other mechanical or electronic devices are used, the report shall contain sufficient copies of a ballot for use in voting, and shall show the names of those selected by the Nominating Committee. Nominations may be made from the floor. One or more groups of supervisors and tellers for the election shall be appointed.

Section 3.5 *Voting*

The voting shall be by voting machines or other mechanical or electronic devices, or by written ballot, unless the delegates shall unanimously desire a voice vote. If the voting is by written ballot, it may commence at any time after the presentation of the report of the Committee for Nominations. However, if the voting is by voting machines, or other mechanical or electronic devices, it may be conducted at such place and time as the Council may direct.

Section 3.6 *Elections*

Elections shall be by a majority vote of the valid votes cast for each office. A majority of the valid votes cast for each office shall be computed by dividing the total number of votes cast by twice the number of offices or positions to be filled and adding one (1) vote. Each delegate shall have one vote on each ballot for each office or position to be filled.

When more than two persons are nominated for a single office, or when two or more persons are to be elected on the same ballot and there are more nominees than twice the number of offices or positions to be filled, and if upon the first ballot there is no majority of the votes cast for one or more of the offices to be filled, a second ballot shall be cast. The nominees on such ballot shall be the candidates receiving the highest number of votes cast on the preceding ballot, not to exceed twice the number of the offices remaining to be filled; except in the case of a tie vote in the last place, in which event the candidates receiving the tie vote shall also be candidates on the next succeeding ballot. Similarly, ballots shall be cast until all offices shall be filled.

When elections are for different terms of office, the nominee first elected shall be the one elected for the longest term; or if two or more are elected on the same ballot, the candidate or candidates receiving the highest number of votes shall be the one or ones elected for the longest term.

In all elections where officers or positions are designated to be filled by both Clergy and lay persons, separate ballots shall be taken for each order.

Section 3.7 *Election of Deputies to General Convention and Alternates*

There shall be four Clerical Deputies and four Lay Deputies elected to represent the Diocese at each General Convention. A minimum total of eight members of the Clergy and eight qualified Lay persons shall be nominated to fill the positions. Each voting delegate, Lay and Clergy, shall initially have four votes for each order. Notwithstanding the provisions of Section 3.6, the number of nominees for each order shall not be reduced until there shall have been elected at least one Deputy from such order, after which the number of nominees from such order shall be reduced from those receiving the highest number of votes to twice the number of offices of Deputies remaining to be filled from such order. After a reduction in such order, each voting delegate shall have as many votes as there are positions to be filled in such order. The four members of the Clergy and four qualified Lay persons receiving a majority of the votes cast shall be elected as Deputies. Cumulative voting shall not be permitted in the election. Four alternates shall be selected from each order. The alternates shall be the eliminated nominees from each order receiving the four highest number of votes prior to

elimination and shall be ranked in the order of votes received. If there is a tie vote for an alternate position, the precedence shall be chosen by lot.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The Young Ladies' Church Institute and Church Foundation at Rice University referenced in Section 3.2 are no longer operational ministries or organizations in the Diocese. The proposed amendment to Section 3.4 allowing the Committee for Dispatch of Business to set when the Committee for Nominations reports permits flexibility for effective scheduling of the business of Council. The proposed amendment to Section 3.5 allowing for voting to be conducted at any time following the Nominations Committee report allows efficient movement through the business of Council.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 4 DUTIES OF THE OFFICERS OF THE DIOCESE

EXISTING:

Section 4.2 *Treasurer*

(c) From the Diocesan Fund the Treasurer shall, upon the order of the Secretary, pay all expenses incurred under this title, pay the quota of the Diocese to the Contingent Fund of the General Convention, and make such other disbursements as the Council may order.

(d) Immediately after the adjournment of the Council the Treasurer shall notify all Parishes of the assessment against them, and at least sixty days before each Annual Council the Treasurer shall notify the authorities of any parish in arrears of the amount of said arrears and urge a remittance thereof to the Council.

PROPOSED:

Section 4.2 *Treasurer*

(c) From the Diocesan Fund the Treasurer shall, ~~upon the order of the Secretary,~~ pay all expenses incurred under this title, pay the quota of the Diocese to the Contingent Fund of the General Convention, and make such other disbursements as the Council may order.

(d) ~~Immediately after the adjournment of the Council the~~ The Treasurer shall notify all Parishes of the assessment against them, and at least sixty days before each Annual Council the Treasurer shall notify the authorities of any parish in arrears of the amount of said arrears and urge a remittance thereof to the Council.

IF AMENDED:

Section 4.1 *Secretary*

It shall be the duty of the Secretary:

- (a) To record the proceedings of the Council.
- (b) To preserve the records, books, and papers of the Council, subject to its order.
- (c) To attest transcripts from the Council's records.
- (d) To notify promptly all persons concerned of elections, resolutions, or other action taken by the Council.
- (e) To furnish to Ministers, Parishes, and Missions prescribed forms for reports.
- (f) To certify to the General Convention lists of the Clergy of the Diocese, and the names of Deputies to the General Convention.
- (g) To prepare and submit such reports from the Diocese as may be required by the General Convention or by any other official body under authority of the General Convention.
- (h) To supervise the proper publication of the *Journal* of the proceedings of the Council, subject to the orders of the Council, and to post the *Journal* on the Diocesan website and otherwise make it available to interested persons upon request.
- (i) To publish in the *Journal* each year a page or pages memorializing Lay leaders of the Diocese and/or Council who have died during the preceding year and to publish a separate page for each member of the Clergy canonically resident in the Diocese who has died during the preceding year.
- (j) Do whatever else may be required by the Council.
- (k) Keep and report to the Treasurer of the Diocese an account of all expenses incurred under this Canon.

Section 4.2 *Treasurer*

- (a) The Treasurer shall receive and account for all moneys collected by authority of the Council, or deposited with the Treasurer for any Church purpose, keeping a separate account of each fund upon which any payments are made to him.
- (b) From each fund the Treasurer shall, as promptly as collections will allow, make the specific payments required to be made therefrom.

(c) From the Diocesan Fund the Treasurer shall pay all expenses incurred under this title, pay the quota of the Diocese to the Contingent Fund of the General Convention, and make such other disbursements as the Council may order.

(d) The Treasurer shall notify all Parishes of the assessment against them, and at least sixty days before each Annual Council the Treasurer shall notify the authorities of any parish in arrears of the amount of said arrears and urge a remittance thereof to the Council.

(e) The Treasurer's accounts shall at all times be subject to inspection under the authority of the Council or Standing Committee, and a statement thereof shall be furnished annually to the Council.

(f) The Treasurer shall give bond to the satisfaction of the Standing Committee, and shall deliver to the Treasurer's successor all funds, books, and papers pertaining to the Treasurer's office.

(g) The Treasurer shall be a member of the Executive Board, *ex-officio*.

Section 4.3 *Registrar, Archivist, and Historian*

There shall be elected annually by the Council, on nomination of the Bishop, a Diocesan Registrar, a Diocesan Archivist, and a Diocesan Historian.

(a) The Diocesan Registrar shall keep in a separate book a Register of the Clergy canonically connected with the Diocese, showing the dates of the ordination and reception; also all dismissals, depositions, or deaths of the Clergy occurring in the Diocese. If the Diocesan Registrar is not also the Secretary of the Diocese, the Registrar shall perform such duties under the supervision of the Secretary of the Diocese. The Diocesan Registrar shall keep a register of all Parishes and Missions connected with the Diocese, showing their organization, admission, succession of Clergy in charge as far as it can be ascertained, and such other particulars as may be necessary to indicate their status and history.

(b) The Diocesan Archivist shall receive, file, index, and preserve any books, papers, journals, reports, manuscripts, pamphlets, or other documents pertaining to the Church or its history, and shall from time to time, endeavor to increase such collections. The Diocesan Archivist shall report annually to the Council the official acts and the condition of all material in the custody of the Diocese, with suggestions as to its arrangement, increase, and preservation. The Diocesan Archivist shall be empowered under orders from the Ecclesiastical authority, to issue a proper certificate of any fact of record in the Diocesan archives.

(c) The Diocesan Historian shall encourage the appointment of parish historians and shall provide such parish historians with assistance in collecting and preserving the records, papers, books, newspaper stories, and other materials as related to the life and history of the congregation and provide for the writing of parochial Histories.

Section 4.4 *Chancellor*

(a) The Chancellor shall, whenever requested, be advisor, confidential or otherwise, of the Bishop, Council, the Standing Committee, Executive Board, and other Committees and Boards and Diocesan Organizations.

(b) It shall be the duty of the Chancellor to examine and approve all contracts entered into by the Church Corporation, and to examine and approve the title to all property purchased by the Church Corporation. The Chancellor shall attend to the proper registration of all papers affecting the title of Church property. The Chancellor shall represent the Church Corporation in any litigation affecting its properties.

(c) The Chancellor shall be present at any proceedings for the settlement of any differences between Ministers and their Congregations, or for the trial of any person charged with a Canonical offense, and the Chancellor shall procure and file in the archives of the Diocese a record duly authenticated of the consecration of any Bishop of the Diocese.

Section 4.5 *Vice Chancellors*

Vice Chancellors shall perform such duties as may be assigned to them by the Bishop or the Chancellor. In the event of a vacancy in the Chancellorship, or the inability of the Chancellor from whatever cause, the duties of the Chancellor shall devolve upon the Vice Chancellor selected by the Bishop.

Section 4.6 *Assistant Chancellors*

The Bishop may designate one or more Assistant Chancellors for such term and with such duties and responsibilities as their appointment may provide. They shall assist the Chancellor and their services shall be under the Chancellor's supervision and direction.

Section 4.7 *Qualifications, Election*

The Chancellor, Vice Chancellor, and Assistant Chancellors shall be of the profession of the law. The Chancellor and Vice Chancellor shall be elected at each Annual Council on nomination of the Bishop and as provided in Article 4, Section 4.4 of the Constitution.

Section 4.8 *Canons to the Ordinary*

Authority is granted for the appointment of one or more Canons to the Ordinary. Each such Canon shall be a member of the Clergy, canonically residing in the Diocese, who shall be appointed by the Bishop. Such Canons shall be accountable to the Bishop and shall assist in the performance of such ecclesiastical and administrative duties, and shall serve for such terms as the Bishop may determine.

Section 4.9 *Certain Bishop Delegations*

With respect to the Diocesan entities identified below, the Bishop shall have the power and authority to designate the Bishop Coadjutor or any Bishop Suffragan or Assistant Bishop to be

an ex-officio member of the Board of such entity, to take the Bishop's place as Chair of such entity, and to exercise all rights and powers of such Chair. Such delegation shall expire at the end of each calendar year subject to the Bishop's right to terminate such delegated authority prior thereto or to extend such delegated authority for successive one-year periods. In the event of any such delegation of authority, the Bishop may elect to continue or to discontinue serving on such Board during the period of such delegation.

The Diocesan entities to which this Canon applies are: The Bishop Quin Foundation, St. Stephen's Episcopal School, Episcopal Health Foundation, Great Commission Foundation, Episcopal High School, El Buen Samaritano Episcopal Mission, Community of the Streets Outreach Corporation, and such other Diocesan entities as may provide for such delegation of authority by reference to this Canon. If any inconsistency between this Canon and the Canon establishing any of the above referenced Diocesan entities exists, this Canon shall control.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): Both changes in Section 4.2 are a simplification of language that also aligns policy with practice, as these requirements are handled without direction from the Secretary.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 5 THE EXECUTIVE BOARD OF THE DIOCESE

EXISTING:

Section 5.3 *Membership – Elections – Vacancies*

(b) In addition to the members, the following persons shall attend the meetings of the Executive Board from time to time, as the Board shall require and for such purpose as the Board shall specify: the Convocational Deans, the Division Chairs, the Chancellor, the President of the Episcopal Foundation of Texas, the President of The Bishop Quin Foundation, the Executive Chair of the Episcopal Health Foundation, the President of the Great Commission Foundation, the Canon to the Ordinary, the Canon for Missions and Program, and the Canon for Hispanic Ministry.

Section 5.5 *Duties of Treasurer*

It shall be the duty of the Treasurer to receive, safely keep and disburse, as the Treasurer may be directed by the Executive Board, all money belonging to the Executive Board Fund, and all other moneys contributed or accruing from whatever source for Diocesan Mission, Formation, or Outreach. The Treasurer shall be required to furnish a bond satisfactory to the Executive Board, the expense of the same to be borne by the Diocese; and the Treasurer shall conduct all the duties of the office as directed by the Board.

Section 5.6 *Administrative Divisions*

(a) The Executive Board may organize its membership, staff and/or persons appointed by the Bishop into one or more operating committees and “Divisions” and shall determine the scope of work for each committee and Division.

(b) The Board shall have power to organize from time to time such other Divisions as the work may demand. The Bishop or the Bishop’s designee shall be the chair of each Division. Any designee need not be an elected member of the Board. Such designee, if not an elected member of the Board, shall be entitled to attend all meetings of the Board and shall be entitled to a voice but no vote. Such designee shall be allowed to serve as chair as long as the Bishop desires. Each Division shall have the power to appoint, subject to confirmation by the Board, additional members, who shall have seats and votes in the Division but without seats and votes on the Board.

(c) The Board also may enact all necessary bylaws for its government, and for the government of each Division, subject to the provisions of this Canon, and not inconsistent with the Canons of the Diocese.

(d) Each Division shall make to the Bishop, annually, and at such other times and in such form as the Bishop shall require, a report of the work done under its direction, to include all work of Departments, Committees, and Groups that may be under a Division.

(e) The Division of Finance may request Divisions to report, annually, and request such funds as the Division thinks necessary for carrying out the work of the Division and any Departments, Committees, and Groups that may be under the Division.

Section 5.7 *Reports*

(b) At each annual meeting of the Diocesan Council, the Board shall also submit for approval and adoption by the Council, a Diocesan Budget for support of the Bishop and his office and ministry as specified in Article 7 of the Constitution and an Executive Board Budget for all the work for the Church in the Diocese, and such other work as the Board may propose to undertake for the ensuing year. The Executive Board Budget shall also include the appropriation from this Diocese for the Program of the Church as performed by the Executive Council. Such budget and estimate shall be considered by the Council and appropriate action taken.

(c) The Board shall have power to expend all sums of money provided in said budget as adopted by the Diocesan Council. It also shall have power to expend any money received in any year over and above the amount required for the budget of that year for the work under its administration, and shall have the right for good cause, to transfer amounts from one budget item to another within the framework of each budget but not to transfer amounts from one budget to another.

Section 5.9 *Fixing Salaries*

All salaries, other than those fixed by the Diocesan Council, shall be fixed by the Executive Board.

Section 5.10 *Duties – Records*

The Executive Board provided for herein shall enter upon the duties imposed by the Canon upon the adjournment of the Diocesan Council at which this Canon is adopted. The Board shall be the sole custodian of the records of the former Missionary Committee, the former Finance Committee, the former committees on the State of the Church, Social Service, Religious Education, and the Pension Fund; and said committees shall forthwith deliver to the Executive Board said records.

PROPOSED:

Section 5.3 *Membership – Elections – Vacancies*

(b) In addition to the members, the following persons shall attend the meetings of the Executive Board from time to time, as the Board shall require and for such purpose as the Board shall specify: the Convocational Deans, the Committee–Division Chairs, the Chancellor, the President of the Episcopal Foundation of Texas, the President of The Bishop Quin Foundation, the Executive Chair of the Episcopal Health Foundation, the President of the Great Commission Foundation, and the Canon to the Ordinary–the Canon for Missions and Program, and the Canon for Hispanic Ministry. In addition, the Bishop may invite other persons to attend Executive Board meetings as the Bishop deems appropriate.

(c) The members of the Board shall remain in office until their successors are duly elected. Provided, however, that should a member of the Board fail to attend one-half of the meetings of the Board in a calendar year, a vacancy shall be declared to exist and the vacancy shall be filled by the Board. The Board shall have the power to fill such other vacancy in its membership that may occur through death, resignation, or removal of any member elected by the Council.

Section 5.5 *Duties of Treasurer*

It shall be the duty of the Treasurer to receive, safely keep and disburse, as the Treasurer may be directed by the Executive Board, all money belonging to all funds under the purview of the Executive Board Fund, and all other moneys contributed or accruing from whatever source for Diocesan Mission, Formation, or Outreach. The Treasurer shall be required to furnish a bond satisfactory to the Executive Board, the expense of the same to be borne by the Diocese; and the Treasurer shall conduct all the duties of the office as directed by the Board.

Section 5.6 *Administrative Divisions–Committees*

(a) The Executive Board may organize its membership, staff and/or persons appointed by the Bishop into one or more operating committees and “Divisions” and shall determine the scope of work for each committee and Division.

(b) ~~The Board shall have power to organize from time to time such other Divisions as the work may demand.~~ The Bishop or the Bishop’s designee shall be the chair–Chair of each Division–Committee. Any Committee Chair designee need not be an elected member of the Board. Such designee–Chair, if not an elected member of the Board, shall be entitled to attend all meetings of the Board and shall be entitled to a voice but no vote. Such designee

Chair shall be allowed to serve as ~~chair~~ Chair as long as the Bishop desires. Each ~~Division Committee~~ shall have the power to appoint, subject to confirmation by the ~~Board~~ Bishop, additional members, who shall have seats and votes in the ~~Division Committee~~, but without seats and votes on the Board.

(c) The Board also may enact all necessary bylaws for its ~~government~~ governance, and for the ~~government governance~~ of each ~~Division Committee~~, subject to the provisions of this Canon, and not inconsistent with the Canons of the Diocese.

(d) Each ~~Division Committee~~ shall make to the Bishop, annually, and at such other times and in such form as the Bishop shall require, a report of the work done under its direction; ~~to include all work of Departments, Committees, and Groups that may be under a Division.~~

(e) The ~~Division Finance Committee of Finance~~ the Executive Board may request ~~Divisions Committees~~ to report, annually, and request such funds as the ~~Division Committee~~ thinks necessary for carrying out ~~the its work of the Division and any Departments, Committees, and Groups that may be under the Division.~~

Section 5.7 *Reports*

(b) At each annual meeting of the Diocesan Council, the Board shall also submit for approval and adoption by the Council, a Diocesan Budget for support of the Bishop's ~~and his office and ministry as specified in Article 7 of the Constitution and an Executive Board Budget~~ for all the work for the Church in the Diocese, and such other work as the Board may propose to undertake for the ensuing year. ~~The Executive Board Budget shall also include the appropriation from this Diocese for the Program of the Church as performed by the Executive Council.~~ Such budget and estimate shall be considered by the Council and appropriate action taken.

(c) The Board shall have power to expend all sums of money provided in said budget as adopted by the Diocesan Council. It also shall have power to expend any money received in any year over and above the amount required for the budget of that year for the work under its administration, and shall have the right for good cause, to transfer amounts from one budget item to another within the framework of ~~each~~ the budget but not to transfer amounts from one budget to another.

Section 5.9 *Fixing Salaries*

All salaries, other than those fixed by the Diocesan Council, shall be fixed by the Executive Board upon the recommendation of the Finance Committee of the Executive Board.

Section 5.10 ~~Duties~~ *Records*

~~The Executive Board provided for herein shall enter upon the duties imposed by the Canon upon the adjournment of the Diocesan Council at which this Canon is adopted. The Board shall be the sole custodian of the records of the former Missionary Committee, the former Finance Committee, the former committees on the State of the Church, Social Service, Religious Education, and the Pension Fund; and said committees shall forthwith deliver to the Executive Board said records.~~

IF AMENDED:

Section 5.1 *Administrative Duties*

The Executive Board of the Diocese, as hereinafter constituted, shall administer and carry on the Mission, Formation, and Outreach ministries of the Church of this Diocese, of which work the Bishop shall be the executive head.

Section 5.2 *Powers – Authority*

The Executive Board shall exercise all powers of the Diocesan Council, between meetings thereof, in connection with the unification, long range planning, development, and prosecution of the work of Missions, Church Growth, Christian Formation, the Church and the Community, Communication, and the Church Pension Fund; and in supervision and direction of the acts of the Trustees of the Protestant Episcopal Church Council in the Diocese of Texas, the Trustees of the Episcopal Foundation of Texas, the Trustees of The Bishop Quin Foundation, the Directors of the Episcopal Health Foundation, and the Directors of the Great Commission Foundation for the performance of such work as may be committed to such diocesan institutions by the Council; and in the initiation and development of such new work between said meetings as the Executive Board may deem necessary; subject, however, to the provisions of the Constitution and Canons, and other directions of the Council.

Section 5.3 *Membership – Elections – Vacancies*

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

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

(2) The following persons will serve, ex-officio:

(a) The Coadjutor Bishop, if there be one.

(b) The Suffragan Bishops, if there be any.

(c) The Assistant Bishop, if there be one.

(d) The President of the Protestant Episcopal Church Council of the Diocese of Texas.

(e) The Treasurer of the Diocese.

(f) The President of the Episcopal Church Women of the Diocese of Texas, with voice but without vote unless an elected member of the Executive Board as defined in Section 5.3(a)(3).

(3) Fifteen elected members, of whom six shall be members of the Clergy and nine shall be lay persons who are at least 18 years of age and are confirmed communicants in good standing of the Church in this Diocese. At each Annual Council there shall be elected five members, who shall serve for a term of three years thereafter. Two of the members so elected shall be members of the Clergy and the remaining three shall be lay persons; no retiring members elected by Council or by the Executive Board, either for a full term or to fill an unexpired term, shall be eligible for re-election until a period of one year shall have elapsed.

(4) The Secretary and Treasurer of the Executive Board with voice, but without vote if either be elected from outside the elected membership of the Board, as hereinafter provided in Section 5.3(a)(3).

(b) In addition to the members, the following persons shall attend the meetings of the Executive Board from time to time, as the Board shall require and for such purpose as the Board shall specify: the Convocational Deans, the Committee Chairs, the Chancellor, the President of the Episcopal Foundation of Texas, the President of The Bishop Quin Foundation, the Executive Chair of the Episcopal Health Foundation, the President of the Great Commission Foundation, and the Canon to the Ordinary. In addition, the Bishop may invite other persons to attend Executive Board meetings as the Bishop deems appropriate.

(c) The members of the Board shall remain in office until their successors are duly elected. Provided, however, that should a member of the Board fail to attend one-half of the meetings of the Board in a calendar year, a vacancy shall be declared to exist and the vacancy shall be filled by the Board. The Board shall have the power to fill such other vacancy in its membership that may occur through death, resignation, or removal of any member elected by the Council.

Section 5.4 *Officers of the Board*

The officers of the Board shall be the Bishop of the Diocese, who shall be *ex-officio* Chair of the Board and President, or the Bishop Coadjutor, if there be one, and if the Bishop Coadjutor be thereto assigned by the Bishop; a Vice President, a Secretary, and a Treasurer who shall be elected at a meeting of the Board immediately succeeding the annual Diocesan Council.

Section 5.5 *Duties of Treasurer*

It shall be the duty of the Treasurer to receive, safely keep and disburse, as the Treasurer may be directed by the Executive Board, all funds under the purview of the Executive Board, and all other moneys contributed or accruing from whatever source for Diocesan Mission, Formation, or Outreach. The Treasurer shall be required to furnish a bond satisfactory to the Executive Board, the expense of the same to be borne by the Diocese; and the Treasurer shall conduct all the duties of the office as directed by the Board.

Section 5.6 *Administrative Committees*

(a) The Executive Board may organize its membership, staff and/or persons appointed by the Bishop into one or more committees and shall determine the scope of work for each committee.

(b) The Bishop or the Bishop's designee shall be the Chair of each Committee. Any Committee Chair need not be an elected member of the Board. Such Chair, if not an elected member of the Board, shall be entitled to attend all meetings of the Board and shall be entitled to a voice but no vote. Such Chair shall be allowed to serve as Chair as long as the Bishop desires. Each Committee shall have the power to appoint, subject to confirmation by the Bishop, additional members, who shall have seats and votes in the Committee, but without seats and votes on the Board.

(c) The Board also may enact all necessary bylaws for its governance, and for the governance of each Committee, subject to the provisions of this Canon, and not inconsistent with the Canons of the Diocese.

(d) Each Committee shall make to the Bishop, annually, and at such other times and in such form as the Bishop shall require, a report of the work done under its direction.

(e) The Finance Committee of the Executive Board may request Committees to report, annually, and request such funds as the Committee thinks necessary for carrying out its work.

Section 5.7 *Reports*

(a) The Executive Board shall submit to each annual meeting of the Diocesan Council a report of the work done under its supervision for the preceding year, which report shall include the annual report of the Treasurer of the Board.

(b) At each annual meeting of the Diocesan Council, the Board shall also submit for approval and adoption by the Council, a Diocesan Budget for support of the Bishop's office and ministry as specified in Article 7 of the Constitution for all the work for the Church in the Diocese, and such other work as the Board may propose to undertake for the ensuing year. Such budget and estimate shall be considered by the Council and appropriate action taken.

(c) The Board shall have power to expend all sums of money provided in said budget as adopted by the Diocesan Council. It also shall have power to expend any money received in any year over and above the amount required for the budget of that year for the work under its administration, and shall have the right for good cause, to transfer amounts from one budget item to another within the framework of the budget but not to transfer amounts from one budget to another.

Section 5.8 *Meetings with Bishop*

The Executive Board shall meet with the Bishop or the Bishop Coadjutor, if there be one, and if the Bishop Coadjutor be assigned thereto by the Bishop, at such stated times as the Board, in conference with the Bishop, shall appoint; at least twice a year, and at such other times as the Bishop shall convene it. Six members of the Board, with the Bishop, or with the Vice President, shall constitute a quorum.

Section 5.9 *Fixing Salaries*

All salaries, other than those fixed by the Diocesan Council, shall be fixed by the Executive Board upon the recommendation of the Finance Committee of the Executive Board.

Section 5.10 *(This section has been deleted)*

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): Substituting the word “Committee” for the word “Division” reflects the current organization and practice of the Diocese. The Canon for Missions and Program and the Canon for Hispanic Ministry referenced in Section 5.3(b) no longer exist. Further, allowing the Bishop to designate other persons to be able to attend Executive Board meetings will bring persons to meetings who can provide timely and relevant information that will help the Executive Board conduct its duties and responsibilities. Changes in Section 5.8 align the language of this section with the unified budget practice. Section 5.10 is an obsolete provision that is no longer necessary.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 6
THE BOARD OF EXAMINING CHAPLAINS

EXISTING:

Canon 6
THE BOARD OF EXAMINING CHAPLAINS

Section 6.1 *Elections – Terms of Office – Vacancies*

The Board of Examining Chaplains shall be composed of not less than three and not more than seven learned Presbyters canonically resident within the Diocese. These Chaplains shall be nominated by the Bishop at the Annual Diocesan Council, which nominations shall be subject to and confirmed by the vote of the Council. Their term of office shall be for a period of one year.

Should vacancies occur in the Board when the Council is not in session, or if the Bishop considers additions within the aforesaid limits to be desirable, the Bishop shall similarly nominate chaplains to the Standing Committee. Upon confirmation by the Standing Committee, the person or persons so designated shall be added to the Board and shall serve until the next annual meeting of the Council.

Examining Chaplains shall also be members of the Diocesan Commission on Ministry.

PROPOSED:

~~**Canon 6**~~
~~**THE BOARD OF EXAMINING CHAPLAINS**~~

Section 6.1 ~~*Elections – Terms of Office – Vacancies*~~

~~The Board of Examining Chaplains shall be composed of not less than three and not more than seven learned Presbyters canonically resident within the Diocese. These Chaplains shall be nominated by the Bishop at the Annual Diocesan Council, which nominations shall be subject to and confirmed by the vote of the Council. Their term of office shall be for a period of one year.~~

~~Should vacancies occur in the Board when the Council is not in session, or if the Bishop considers additions within the aforesaid limits to be desirable, the Bishop shall similarly nominate chaplains to the Standing Committee. Upon confirmation by the Standing Committee, the person or persons so designated shall be added to the Board and shall serve until the next annual meeting of the Council.~~

~~Examining Chaplains shall also be members of the Diocesan Commission on Ministry.~~

IF AMENDED:

Canon 6
(This canon has been deleted)

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The recent revision of Title III of the Canons of the Episcopal Church has eliminated this Board, and this diocesan canon is therefore no longer needed. The Commission on Ministry has the responsibility of evaluating candidates for ordination. Our Commission on Ministry continues to utilize the skills of a group of Examining Chaplains, but a canon is not required to enable this.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 7
CONVOCATIONS

EXISTING:

Section 7.1 *The Ten Convocations*

There shall be ten convocations for the development and furtherance of missionary work. The Diocese shall be divided into ten missionary districts, to be known as (a) San Jacinto Convocation, (b) East Harris Convocation, (c) West Harris Convocation, (d) Southeast Convocation, (e) Northeast Convocation, (f) Central Convocation, (g) Northwest Convocation, (h) Austin Convocation, (i) Southwest Convocation, (j) Galveston Convocation, and to be composed of the following counties and portions of counties, to wit:

(a) San Jacinto Convocation — The counties of San Jacinto, Walker, Polk, and Montgomery, as well as that portion of Harris County lying north of a line beginning at the intersection of U.S. Highway 290 and the west line of Harris County; thence along U.S. Highway 290 to the point of intersection with the right of way of the Outer Belt Drive; thence in an easterly direction along the Outer Belt Drive (North) to the intersection of the right of way of the Outer Belt and U.S. Highway 90; thence with U.S. Highway 90 to the east Harris County line; also, that portion of Liberty County lying north of U.S. Highway 90 and west of the Trinity River.

(b) East Harris Convocation — That portion of Harris County lying south of the south line of the San Jacinto Convocation and east of a line described as follows: Beginning at the intersection of Interstate Highway 45 and the Outer Belt Drive (North); thence south on Interstate 45 to the elevated crossing of Interstate Highway 45 over Smith St.; thence following Smith St. to the Southwest Freeway; thence west on the Southwest Freeway to its junction with Loop 610 West; then south on Loop 610 West to the South Post Oak Road, and continuing on the South Post Oak Rd. to the south Harris County line, except that portion of Harris County lying south of NASA One, east of Highway 3, and west of Highway 146.

(c) West Harris Convocation — All that portion of Harris County lying west of the East Harris Convocation and not included in that Convocation or in the San Jacinto Convocation.

(d) Southeast Convocation — The counties of Jefferson, Chambers, Orange, Jasper, Newton, Tyler, Hardin, and that portion of Liberty County not included in the San Jacinto Convocation.

(e) Northeast Convocation — The counties of Anderson, Cherokee, Nacogdoches, Shelby, San Augustine, Sabine, Houston, Trinity, Angelina, Smith, Gregg, Rusk, Harrison, Marion, and Panola.

(f) Central Convocation — The counties of Robertson, Madison, Leon, Burleson, Brazos, Grimes, Washington, Austin, Waller, and Colorado, north of I-10.

(g) Northwest Convocation — The counties of Coryell, McLennan, Limestone, Freestone, Falls, Bell, and Milam.

(h) Austin Convocation — The counties of Lampasas, Burnet, Williamson, Travis, Lee, Bastrop, and Fayette.

(i) Southwest Convocation — The counties of Colorado, south of I-10, Wharton, Matagorda, Fort Bend, and that portion of Brazoria lying west of Chocolate Bayou.

(j) Galveston Convocation — Galveston County, that portion of Harris County lying south of NASA One, east of Highway 3 and west of Highway 146, and that portion of Brazoria County lying east of Chocolate Bayou.

Section 7.2 *Conformity to Convocational Boundaries*

In order to coordinate better the work of the Diocese at the Convocational level, Diocesan organizations will conform their activities to the convocational boundaries insofar as practicable.

Section 7.3 *Appointment and Duties of Deans*

The Dean shall be appointed to each Convocation by the Bishop for a term of two years and shall report annually to the Bishop. It shall be the duty of all Deans to call and arrange for such meetings of their Convocation as they deem expedient; to make provisions under the supervision of the Bishop for regular services, including the Holy Communion, for such

Parishes and Missions in their Convocations as may be without a Rector or Priest-in-Charge; to coordinate and cooperate with the work of the Episcopal Church Women, and the Diocesan Youth and College Work in their Convocations; to survey the possibilities of extending the work of the Church into new areas of their Convocations, and, at the request of the Bishop, to establish such new work; and to perform such other duties as are provided by Canon, or as may be assigned to them by the Bishop.

Section 7.4 *Deans Ex-Officio Members*

The Deans shall be *ex-officio* members of the Diocesan Department of Missions.

PROPOSED:

Section 7.1 *~~The Ten Convocations~~*

The Bishop and the Executive Board with the advice of the Deans of Convocation may divide the Diocese into such Convocations for the development and furtherance of missionary work as they may from time to time deem appropriate.

~~There shall be ten convocations for the development and furtherance of missionary work. The Diocese shall be divided into ten missionary districts, to be known as (a) San Jacinto Convocation, (b) East Harris Convocation, (c) West Harris Convocation, (d) Southeast Convocation, (e) Northeast Convocation, (f) Central Convocation, (g) Northwest Convocation, (h) Austin Convocation, (i) Southwest Convocation, (j) Galveston Convocation, and to be composed of the following counties and portions of counties, to wit:~~

~~(a) San Jacinto Convocation — The counties of San Jacinto, Walker, Polk, and Montgomery, as well as that portion of Harris County lying north of a line beginning at the intersection of U.S. Highway 290 and the west line of Harris County; thence along U.S. Highway 290 to the point of intersection with the right of way of the Outer Belt Drive; thence in an easterly direction along the Outer Belt Drive (North) to the intersection of the right of way of the Outer Belt and U.S. Highway 90; thence with U.S. Highway 90 to the east Harris County line; also, that portion of Liberty County lying north of U.S. Highway 90 and west of the Trinity River.~~

~~(b) East Harris Convocation — That portion of Harris County lying south of the south line of the San Jacinto Convocation and east of a line described as follows: Beginning at the intersection of Interstate Highway 45 and the Outer Belt Drive (North); thence south on Interstate 45 to the elevated crossing of Interstate Highway 45 over Smith St.; thence following Smith St. to the Southwest Freeway; thence west on the Southwest Freeway to its junction with Loop 610 West; then south on Loop 610 West to the South Post Oak Road, and continuing on the South Post Oak Rd. to the south Harris County line, except that portion of Harris County lying south of NASA One, east of Highway 3, and west of Highway 146.~~

~~(c) West Harris Convocation — All that portion of Harris County lying west of the East Harris Convocation and not included in that Convocation or in the San Jacinto Convocation.~~

~~(d) Southeast Convocation — The counties of Jefferson, Chambers, Orange, Jasper, Newton, Tyler, Hardin, and that portion of Liberty County not included in the San Jacinto Convocation.~~

~~(e) Northeast Convocation — The counties of Anderson, Cherokee, Nacogdoches, Shelby, San Augustine, Sabine, Houston, Trinity, Angelina, Smith, Gregg, Rusk, Harrison, Marion, and Panola.~~

~~(f) Central Convocation — The counties of Robertson, Madison, Leon, Burleson, Brazos, Grimes, Washington, Austin, Waller, and Colorado, north of I-10.~~

~~(g) Northwest Convocation — The counties of Coryell, McLennan, Limestone, Freestone, Falls, Bell, and Milam.~~

~~(h) Austin Convocation — The counties of Lampasas, Burnet, Williamson, Travis, Lee, Bastrop, and Fayette.~~

~~(i) Southwest Convocation — The counties of Colorado, south of I-10, Wharton, Matagorda, Fort Bend, and that portion of Brazoria lying west of Chocolate Bayou.~~

~~(j) Galveston Convocation — Galveston County, that portion of Harris County lying south of NASA One, east of Highway 3 and west of Highway 146, and that portion of Brazoria County lying east of Chocolate Bayou.~~

~~Section 7.2 — *Conformity to Convocational Boundaries*~~

~~In order to coordinate better the work of the Diocese at the Convocational level, Diocesan organizations will conform their activities to the convocational boundaries insofar as practicable.~~

~~Section 7.3 — *Appointment and Duties of Convocational Deans*~~

~~The A Dean shall be appointed to each Convocation by the Bishop for a term of two years and shall report annually to the Bishop. It shall be the duty of all Deans to call and arrange for such meetings of their Convocation as they deem expedient; to make provisions under the supervision of the Bishop for regular services, including the Holy Communion, for such Parishes and Missions Congregations in their Convocations as may be without a Rector or Priest in Charge Head of Congregation; to coordinate and cooperate with the work of the Episcopal Church Women, and the Diocesan Youth and College Work in their Convocations; to survey the possibilities of extending the work of the Church into new areas of their Convocations, and, at the request of the Bishop, to establish such new work; and to perform such other duties as are provided by Canon, or as may be assigned to them by the Bishop.~~

~~Section 7.4 — *Deans Ex Officio Members*~~

~~The Deans shall be *ex-officio* members of the Diocesan Department of Missions.~~

IF AMENDED:

Section 7.1 *Convocations*

The Bishop and the Executive Board with the advice of the Deans of Convocation may divide the Diocese into such Convocations for the development and furtherance of missionary work as they may from time to time deem appropriate.

Section 7.2 *(This section has been deleted)*

Section 7.3 *Appointment and Duties of Convocational Deans*

A Dean shall be appointed to each Convocation by the Bishop for a term of two years and shall report annually to the Bishop. It shall be the duty of all Deans to call and arrange for such meetings of their Convocation as they deem expedient; to make provisions under the supervision of the Bishop for regular services, including the Holy Communion, for such Congregations in their Convocations as may be without a Head of Congregation; and to perform such other duties as are provided by Canon, or as may be assigned to them by the Bishop.

Section 7.4 *(This section has been deleted)*

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): In the past, a significant portion of the missionary work of the diocese was carried out through the convocational structure, with extensive networks of convocational coordinators within each ministry organization. This pattern is no longer in wide use, although it remains available for those organizations which desire it. The value today of the convocations is more localized for the purposes of collaboration, communication, and mutual support. Just as we do not have a canon establishing the three regions of the diocese, there is no need to establish convocations by extensive canonical geographical description or designation. Additionally, the current canon presupposes strict parochial boundaries which no longer apply (see Canon 8.3 revision). The proposed amendments to Sections 7.1 and 7.2 affirm the convocational structure but allow greater flexibility to configure the convocations as appropriate without the need for canonical change. Section 7.3 was simplified to better reflect the current roles and relationship of Deans with their Convocations and to conform language about Heads of Congregation to the other proposed revisions. Section 7.4 was deleted as there is no longer a Diocesan Department of Missions.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 8
PARISHES AND MISSIONS

EXISTING:

Section 8.2 *Organizing of Missions Within a Parish*

Missions may be organized within the limits of any organized 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 8.3 *Parochial Boundaries*

Parochial boundaries shall be the limits as fixed by law of a town, city, or other municipal subdivision or civil district, which may be recognized by the Bishop, acting with the advice and consent of the Standing Committee, as constituting the boundary of a Parish.

Section 8.4 *Missions Petitioning to Become Parishes*

Any Mission organized under the provisions of Canon 12 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 Quota and Assessment.

PROPOSED:

Section 8.2 ~~*Organizing of Missions Within a Parish*~~ *Parochial Missions*

Missions may be organized ~~within the limits of~~ by any organized 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 8.3 ~~*Parochial Boundaries*~~

~~Parochial boundaries shall be the limits as fixed by law of a town, city, or other municipal subdivision or civil district, which may be recognized by the Bishop, acting with the advice and consent of the Standing Committee, as constituting the boundary of a Parish.~~

Section 8.4 *Missions Petitioning to Become Parishes*

Any Mission organized under the provisions of Canon 12 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 ~~Quota and Assessment~~ Assessments.

IF AMENDED:

Section 8.1 *Organization – Name*

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

(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 18 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 at the Annual Council next after said organization upon which the Council may act, giving or withholding its consent to the union of the said Parish with the Council as may seem best for the interests of the Church; and the Council may, if it be deemed expedient, define the boundaries of the Parish.

Section 8.2 *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 8.3 (This section has been deleted)

Section 8.4 *Missions Petitioning to Become Parishes*

Any Mission organized under the provisions of Canon 12 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 8.5 *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 8.6 *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.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The proposed amendments to Sections 8.2 and 8.3 reflect the fact that setting parish boundaries based on geographical and legal boundaries is an obsolete practice. New congregations and bodies of Christ are and should be organized as population density in the different cities, towns and regions in the Diocese requires. The term "Quota" was eliminated in Section 8.4 because it is an obsolete term.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 11
PARISH REGISTER AND PAROCHIAL REPORTS

EXISTING:

Section 11.1 *Parish Register*

(a) In the Parish Register required by the general Canons of the Episcopal Church to be kept in every Parish and Mission, there shall be recorded by the Minister in charge of such Parish or Mission the name and date of birth of all persons baptized, with the names of the sponsors and parents; the names of all parties married and two or more witnesses present, and the place where the marriage was solemnized; the names of all persons buried, place of interment, and the date and time when each rite was performed.

(c) The Register shall be kept by the Minister-in-Charge and shall be preserved by the Vestry or Bishop's Committee, as the case may be, as a part of the Records of the Church, and in the absence of the Minister-in-Charge it shall be kept by the Senior Warden or Bishop's Warden and the Vestry or Bishop's Committee, as applicable.

Section 11.2 *Report to Diocesan Council*

(a) Pursuant to the Canons of the General Convention, it is made the duty of every Minister-in-Charge of a Parish or Mission, or if there be no Minister-in-Charge, of the Church Wardens, or other proper officer, to prepare, upon the blank form adopted by the General Convention, a report for the year ending the thirty-first day of December preceding; and to deliver the same no later than February first of the following year to the Secretary or to the Bishop of the Diocese.

(b) This report shall contain the following information: the number of baptisms, confirmations, marriages, and burials during the year; the total number of baptized members, confirmed members, and communicants at the time of the report; a summary of all receipts and expenditures, from whatever source derived and for whatever purpose used, and a statement of the property held by the Parish or Mission, whether real or personal, with an appraisal of its value, together with a statement of the indebtedness of the Parish or Mission, if any, and the amount of insurance carried.

(c) No Parish or Mission, or its Minister-in-Charge, shall be entitled to voice or vote in the Diocesan Council until the Secretary or the Bishop of the Diocese shall acknowledge receipt of the completed Report to Diocesan Council required herein; provided that, with permission of the Bishop, Council may grant to the Parish or Mission, or its Minister-in-Charge, voice or vote, or both.

Section 11.3 *Report of Occasional Services*

Every Minister not in charge of any Parish or Mission shall report the Minister's occasional services; and if there have been none, the causes and reasons that have prevented the same.

Section 11.5 *Forms for Reports Furnished*

The forms for making these reports shall be furnished by the Secretary of the Diocese, and said forms shall conform substantially to the requirements of the General Convention in making Diocesan reports thereto.

PROPOSED:

Section 11.1 *Parish Register*

(a) In the Parish Register required by the ~~general~~ Canons of the Episcopal Church to be kept in every Parish and Mission, there shall be recorded by the ~~Minister-in-charge~~ Head of Congregation of such Parish or Mission the name and date of birth of all persons baptized, with the names of the sponsors and parents; the names of all parties married and two or more witnesses present, and the place where the marriage was solemnized; the names of all persons buried, place of interment, and the date and time when each rite was performed.

(c) The Register shall be kept by the ~~Minister-in-Charge~~ Head of Congregation and shall be preserved by the Vestry or Bishop's Committee, as the case may be, as a part of the Records of the Church, and in the absence of the ~~Minister-in-Charge~~ a Head of Congregation it shall be kept by the Senior Warden or Bishop's Warden and the Vestry or Bishop's Committee, as applicable.

Section 11.2 *Report to Diocesan Council*

(a) Pursuant to the Canons of the General Convention, it is made the duty of every ~~Minister-in-Charge~~ Head of Congregation of a Parish or Mission, ~~or if there be no Minister-in-Charge, of the Church Wardens,~~ or other proper officer, to prepare, upon the ~~blank~~ form adopted by the General Convention, a report for the year ending the thirty-first day of December preceding; and to ~~deliver~~ file the same as instructed by General Convention no later than February first of the following year ~~to the Secretary or to the Bishop of the Diocese.~~

(b) This report shall contain ~~contain the following~~ all information required in the form adopted by General Convention and such supplemental information as the Executive Board of the Diocese may require.; ~~the number of baptisms, confirmations, marriages, and burials during the year; the total number of baptized members, confirmed members, and~~

~~communicants at the time of the report; a summary of all receipts and expenditures, from whatever source derived and for whatever purpose used, and a statement of the property held by the Parish or Mission, whether real or personal, with an appraisal of its value, together with a statement of the indebtedness of the Parish or Mission, if any, and the amount of insurance carried.~~

(c) No Parish or Mission, or its ~~Minister in Charge~~ Head of Congregation, shall be entitled to voice or vote in the Diocesan Council until the Secretary or the Bishop of the Diocese shall acknowledge ~~receipt~~ filing of the completed Report to Diocesan Council required herein; provided that, with permission of the Bishop, Council may grant to the Parish or Mission, or its ~~Minister in Charge~~ Head of Congregation, voice or vote, or both.

Section 11.3 *Report of Occasional Services*

Every ~~Minister~~ active member of the Clergy not in charge of any ~~associated with any~~ Parish or Mission shall report the ~~Minister's~~ member of the Clergy's occasional services; and if there have been none, the causes and reasons that have prevented the same.

Section 11.5 ~~Forms for Reports Furnished~~

~~The forms for making these reports shall be furnished by the Secretary of the Diocese, and said forms shall conform substantially to the requirements of the General Convention in making Diocesan reports thereto.~~

IF AMENDED:

Section 11.1 *Parish Register*

(a) In the Parish Register required by the Canons of the Episcopal Church to be kept in every Parish and Mission, there shall be recorded by the Head of Congregation of such Parish or Mission the name and date of birth of all persons baptized, with the names of the sponsors and parents; the names of all parties married and two or more witnesses present, and the place where the marriage was solemnized; the names of all persons buried, place of interment, and the date and time when each rite was performed.

(b) The Register shall embrace a list of all communicants in the Parish or Mission as nearly as can be ascertained, a list of all families and adult persons within the Parish or Mission, and the names of persons confirmed, and dates of confirmation by the Bishop.

(c) The Register shall be kept by the Head of Congregation and shall be preserved by the Vestry or Bishop's Committee, as the case may be, as a part of the Records of the Church, and in the absence of a Head of Congregation it shall be kept by the Senior Warden or Bishop's Warden and the Vestry or Bishop's Committee, as applicable.

(d) Old Registers, filled up or no longer in current use, shall be deposited with the Archivist of the Diocese, who shall provide the Parish or Mission with a microfilm copy thereof; provided that, should the Parish or Mission desire to retain the old Registers, they shall be microfilmed and the film deposited with the Archivist. The same procedure shall be followed with the Minutes Books of the Vestry or Bishop's Committee and Registers of Services.

Section 11.2 *Report to Diocesan Council*

(a) Pursuant to the Canons of the General Convention, it is made the duty of every Head of Congregation of a Parish or Mission, or other proper officer, to prepare, upon the form adopted by the General Convention, a report for the year ending the thirty-first day of December preceding; and to file the same as instructed by General Convention no later than February first of the following year.

(b) This report shall contain all information required in the form adopted by General Convention and such supplemental information as the Executive Board of the Diocese may require.

(c) No Parish or Mission, or its Head of Congregation, shall be entitled to voice or vote in the Diocesan Council until the Secretary or the Bishop of the Diocese shall acknowledge filing of the completed Report to Diocesan Council required herein; provided that, with permission of the Bishop, Council may grant to the Parish or Mission, or its Head of Congregation, voice or vote, or both.

Section 11.3 *Report of Occasional Services*

Every active member of the Clergy not associated with any Parish or Mission shall report the member of the Clergy's occasional services; and if there have been none, the causes and reasons that have prevented the same.

Section 11.4 *Reports Entered in Journal*

These reports, or such parts of them as the Bishop may deem proper, shall be entered in the *Journal*.

Section 11.5 *(This section has been deleted)*

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The term "Head of Congregation" replaces "Minister-in-Charge" as a more inclusive term that reflects the reality that a parish or mission may not always at all times be led by clergy. The proposed changes in Section 11.2 simplify the language around reports that the parish must file and set the requirements to reflect those set forth by General Convention and requested by the Executive Board. Section 11.3 was modified to reflect the fact there are members of the clergy who are active and associated with a congregation, but may not be the Head of that congregation. Section 11.5 was deleted because it is already required by National Canon and is also addressed Section 11.2.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 12 DIOCESAN MISSIONS

EXISTING:

Section 12.1 *Creation of Such Missions*

Any ten or more baptized persons eighteen years or older, residing in any place where there is not any Parish or organized Mission, may make to the Bishop, or if there be no Bishop, to the Standing Committee of the Diocese, application in writing, signed by each of said persons, requesting the organization in such place of a Mission, to be conducted in conformity with the Doctrine, Discipline, and Worship of the Protestant Episcopal Church in the United States of America and the Constitution and Canons of said Church in this Diocese, and specifying the amounts which they will severally contribute annually, in installments payable at least quarterly, to the Missionary Fund of the Diocese.

The organization of a new Mission within an existing Parish or Mission shall conform to Section 8.2 of Canon 8.

Section 12.4 *Organization, Appointments and Elections*

(c) Beginning with the first annual election, or in the event there is no Bishop's Committee, the Clerk and the Treasurer shall be elected by the members of the Mission; and the Warden shall be appointed, subject to the approval of the Bishop, by the Priest-in-Charge, or the Missionary. The Missionary shall have the right to appoint the Sunday School Superintendent, the Organist, the Choir Leader, and the Sexton. But if there be no Missionary, the Warden shall be appointed by the Bishop; or, if the Bishop makes no appointment, the Warden shall be elected by the members of the Mission; and the other appointments shall rest with the Warden.

(d) Upon approval of the Bishop, or in the Bishop's absence, the Standing Committee, any Mission at its annual election may elect up to fifteen persons to the Bishop's Committee, the number to be determined by Congregational meeting; provided that the terms of office of the Committee members shall be such that one-third of the members shall be elected annually after the first election. After such an election the Warden shall be appointed from those in the Committee, subject to the approval of the Bishop, by the Priest-in-Charge, or the Missionary; and the remaining officers shall be elected by the members of the Mission from those in the Committee, or by the Committee from its own membership, as the members of the Mission may direct by vote at the meeting.

Section 12.6 *The Bishop's Committee*

(a) At all meetings of the congregation or of the Bishop's Committee, the Priest-in-Charge, or the Missionary, the Warden, the Clerk, or the Treasurer, taking precedence in the order named, shall have the right to preside.

(b) A majority of the Committee members, the whole having been duly cited to meet, shall constitute a quorum; and a majority of the quorum so convened shall be competent to act. If a quorum should repeatedly fail to meet, having been duly cited, so that the affairs of the

Church go unattended, the Priest-in-Charge, or the Missionary, as chair, may declare a representative group of the Committee members competent to act.

(c) The Bishop's Committee shall establish rules for and keep a record of its proceedings. It shall meet as required by its own rules, or whenever called by the Bishop, the Priest-in-Charge, or the Missionary, or a majority of its members. It shall be the duty of the Bishop's Committee to administer the temporal concerns of the Church, to collect necessary moneys, to provide for prompt payment of all liabilities incurred and assessments levied by Diocesan Council, to attend to all matters pertaining to Church properties and their maintenance, to provide the Priest-in-Charge a discretionary fund as required by General Canon, to contribute to the Missionary's salary, to take part in special offerings such as that requested for Theological Education and for other purposes, and, in general, to assist the Missionary in carrying on the work of the Church.

(d) By two-thirds vote of the whole membership, approved by the Priest-in-Charge of the Mission and the Bishop, the Bishop's Committee may remove any member of the Bishop's Committee whose conduct may tend to bring reproach on the Church.

Section 12.7 *Duties of Warden*

(a) It shall be the duty of the Warden to secure some room or house to be used as a place of worship, and with the advice of the Priest-in-Charge, or the Missionary, to provide all things necessary for conducting the service decently and in order, and to make provision for the bread and wine of the Holy Communion. The Warden shall have a care that the offerings are collected at each service and paid over to the Treasurer of the Mission. It shall also be the Warden's duty to supervise the Bishop's Committee in collecting and forwarding to the proper officers all assessments levied by the Council. With the assistance of the Bishop's Committee, the Warden shall in general carry out the functions of a parish Warden as specified in Canon 10.

(b) In the absence of a resident Missionary or Vicar, the Warden shall take care of the altarware, also of any linen, service books, or other property belonging to the Mission; and it shall be the Warden's duty, if possible, to provide continuing services of worship. It also shall be the Warden's duty, in the absence of a Priest-in-Charge, or Missionary, to make for the Mission such reports as the Bishop, Council, or the diocesan officers may from time to time require.

Section 12.8 *Duties of Clerk*

It shall be the duty of the Clerk to keep a record of events of importance to the Mission, and a list of the members of the Mission. In the absence of a Missionary or Vicar, the Clerk shall have custody of the Parish Register and of the Register of Services, but the entries therein must be made under the direction of the Priest-in-Charge, or if none, of the Warden.

Section 12.9 *Duties of Treasurer*

It shall be the duty of the Treasurer of the Mission to receive all moneys contributed to the Church through the Mission, to make whatever disbursements are required by Canon or the Council, or authorized by the Bishop's Committee. Specifically the Treasurer shall conduct the

affairs of the Treasurer's office in accordance with the provisions of Canon 8.6(b) and Canons 13, 14, 18, and 19. The Treasurer shall keep account of all monetary transactions, and provide the diocesan officers, the Priest-in-Charge, or the Missionary, and the Bishop's Committee, such reports as they may from time to time require. The Treasurer shall reimburse the Priest-in-Charge, or the Missionary, and the Warden, for actual expenses necessarily incurred in the performance of the duties required of them by Canons or directed by the Bishop's Committee. The receipt of the Missionary or the Warden shall be a proper voucher, such receipt stating the item of expense.

Section 12.10 *Dissolution*

The failure of the Mission to fulfill the stipulations may warrant the Executive Board of the Diocese, with the consent of the Bishop, in withdrawing the Missionary and dissolving the Mission.

Section 12.11 *Statement of Mission Policy*

It shall be the duty of the Executive Board to formulate a reasonably detailed written statement of mission policy of the Diocese for each calendar year commencing with the calendar year 1973. Such statement of mission policy shall include all work conducted by the Department of Missions, whether in mission congregations, college chaplaincies, or otherwise. Such statement of mission policy, as originally formulated by the Executive Board for the calendar year 1973, or as thereafter changed by them from time to time, shall be printed in the *Journal* of each Annual Council.

PROPOSED:

Section 12.1 *Creation of Such Missions*

Any ten or more baptized persons eighteen years or older, residing in any place where there is not any Parish or organized Mission, may make to the Bishop, or if there be no Bishop, to the Standing Committee of the Diocese, application in writing, signed by each of said persons, requesting the organization in such place of a Mission, to be conducted in conformity with the Doctrine, Discipline, and Worship of the Protestant Episcopal Church in the United States of America and the Constitution and Canons of said Church in this Diocese, and specifying the amounts which they will severally contribute annually, in installments payable at least quarterly, to the Missionary Fund of the Diocese accepting responsibility for the payment of the annual assessment and any special assessments set by the Council. The organization of a new Mission within an existing Parish or Mission shall conform to Section 8.2 of Canon 8.

Section 12.4 *Organization, Appointments and Elections*

(c) Beginning with the first annual election, or in the event there is no Bishop's Committee, the Clerk and the Treasurer shall be elected by the members of the Mission; and the Warden shall be appointed, subject to the approval of the Bishop, by the Priest-in-Charge, Head of Congregation or the Missionary. The Missionary Head of Congregation shall have the right to appoint the Sunday School Superintendent, the Organist, the Choir Leader, and the Sexton persons to such other positions as are desired. But if there be no Missionary Head of Congregation, the Warden shall be appointed by the Bishop; or, if the

Bishop makes no appointment, the Warden shall be elected by the members of the Mission; and the other appointments shall rest with the Warden.

(d) Upon approval of the Bishop, or in the Bishop's absence, the Standing Committee, any Mission at its annual election may elect up to fifteen persons to the Bishop's Committee, the number to be determined by Congregational meeting; provided that the terms of office of the Committee members shall be such that one-third of the members shall be elected annually after the first election. After such an election the Warden shall be appointed from those in the Committee, subject to the approval of the Bishop, by the ~~Priest in Charge, or the Missionary~~ Head of Congregation; and the remaining officers shall be elected by the members of the Mission from those in the Committee, or by the Committee from its own membership, as the members of the Mission may direct by vote at the meeting.

Section 12.6 *The Bishop's Committee*

(a) At all meetings of the congregation or of the Bishop's Committee, the ~~Priest in Charge, or the Head of Congregation~~ Missionary, the Warden, the Clerk, or the Treasurer, taking precedence in the order named, shall have the right to preside.

(b) A majority of the Committee members, the whole having been duly cited to meet, shall constitute a quorum; and a majority of the quorum so convened shall be competent to act. If a quorum should repeatedly fail to meet, having been duly cited, so that the affairs of the Church go unattended, ~~the Priest in Charge, or the Missionary~~ Head of Congregation, as chair, may declare a representative group of the Committee members competent to act.

(c) The Bishop's Committee shall establish rules for and keep a record of its proceedings. It shall meet as required by its own rules, or whenever called by the Bishop, ~~the Priest in Charge, or the Missionary~~ Head of Congregation, or a majority of its members. It shall be the duty of the Bishop's Committee to administer the temporal concerns of the Church, to collect necessary moneys, to provide for prompt payment of all liabilities incurred and assessments levied by Diocesan Council, to attend to all matters pertaining to Church properties and their maintenance, to provide the Head of Congregation ~~Priest in Charge~~ a discretionary fund as required by General Canon, to contribute to the ~~Missionary~~ Head of Congregation's salary, to take part in special offerings such as that requested for Theological Education and for other purposes, and, in general, to assist the ~~Missionary~~ Head of Congregation in carrying on the work of the Church.

(d) By two-thirds vote of the whole membership, approved by the ~~Priest in Charge~~ Head of Congregation of the Mission and the Bishop, the Bishop's Committee may remove any member of the Bishop's Committee whose conduct may tend to bring reproach on the Church.

Section 12.7 *Duties of Warden*

(a) It shall be the duty of the Warden to secure some room or house to be used as a place of worship, and with the advice of the ~~Priest in Charge, or the Missionary,~~ Head of Congregation to provide all things necessary for conducting the service decently and in order, and to make provision for the bread and wine of the Holy Communion. The Warden shall have a care that the offerings are collected at each service and paid over to the

Treasurer of the Mission. It shall also be the Warden's duty to supervise the Bishop's Committee in collecting and forwarding to the proper officers all assessments levied by the Council. With the assistance of the Bishop's Committee, the Warden shall in general carry out the functions of a parish Warden as specified in Canon 10.

(b) In the absence of a resident ~~Missionary~~ Head of Congregation ~~or Vicar~~, the Warden shall take care of the altarware, also of any linen, service books, or other property belonging to the Mission; and it shall be the Warden's duty, if possible, to provide continuing services of worship. It also shall be the Warden's duty, in the absence of a ~~Priest-in-Charge, or Missionary,~~ Head of Congregation to make for the Mission such reports as the Bishop, Council, or the diocesan officers may from time to time require.

Section 12.8 *Duties of Clerk*

It shall be the duty of the Clerk to keep a record of events of importance to the Mission, and a list of the members of the Mission. In the absence of a ~~Missionary~~ Head of Congregation ~~or Vicar~~, the Clerk shall have custody of the Parish Register and of the Register of Services, but the entries therein must be made under the direction of the Head of Congregation ~~Priest-in-Charge~~, or if none, of the Warden.

Section 12.9 *Duties of Treasurer*

It shall be the duty of the Treasurer of the Mission to receive all moneys contributed to the Church through the Mission, to make whatever disbursements are required by Canon or the Council, or authorized by the Bishop's Committee. Specifically the Treasurer shall conduct the affairs of the Treasurer's office in accordance with the provisions of Canon 8.6(b) and Canons 13, 14, 18, and 19. The Treasurer shall keep account of all monetary transactions, and provide the diocesan officers, ~~the Priest-in-Charge, or the Missionary~~ Head of Congregation, and the Bishop's Committee, such reports as they may from time to time require. The Treasurer shall reimburse the ~~Priest-in-Charge, or the Missionary,~~ Head of Congregation and the Warden, for actual expenses necessarily incurred in the performance of the duties required of them by Canons or directed by the Bishop's Committee. The receipt of the ~~Missionary~~ Head of Congregation or the Warden shall be a proper voucher, such receipt stating the item of expense.

Section 12.10 *Dissolution*

The failure of the Mission to fulfill the stipulations may warrant the Executive Board of the Diocese, with the consent of the Bishop, in withdrawing the ~~Missionary~~ Head of Congregation and dissolving the Mission.

Section 12.11 ~~Statement of Mission Policy~~

~~It shall be the duty of the Executive Board to formulate a reasonably detailed written statement of mission policy of the Diocese for each calendar year commencing with the calendar year 1973. Such statement of mission policy shall include all work conducted by the Department of Missions, whether in mission congregations, college chaplaincies, or otherwise. Such statement of mission policy, as originally formulated by the Executive Board for the~~

~~calendar year 1973, or as thereafter changed by them from time to time, shall be printed in the Journal of each Annual Council.~~

IF AMENDED:

Section 12.1 *Creation of Such Missions*

Any ten or more baptized persons eighteen years or older, residing in any place where there is not any Parish or organized Mission, may make to the Bishop, or if there be no Bishop, to the Standing Committee of the Diocese, application in writing, signed by each of said persons, requesting the organization in such place of a Mission, to be conducted in conformity with the Doctrine, Discipline, and Worship of the Protestant Episcopal Church in the United States of America and the Constitution and Canons of said Church in this Diocese, and accepting responsibility for the payment of the annual assessment and any special assessments set by the Council. The organization of a new Mission within an existing Parish or Mission shall conform to Section 8.2 of Canon 8.

Section 12.2 *Persons to Sign Application*

This application shall be signed by all persons eighteen years of age or older who propose to be members of the Mission, and may be signed by any other persons who propose to be members of the Mission.

Section 12.3 *Form of Application*

The application shall be properly addressed to the Bishop, or if there be no Bishop, to the Standing Committee of the Diocese, and shall be substantially as follows:

FORM OF APPLICATION

“We, the undersigned residents of _____ desirous of obtaining the services of the Protestant Episcopal Church, and promising according to our several abilities to sustain the same and conform to its doctrines, discipline, liturgy, rites and usages, do hereby request that you provide for us as you may deem proper, and that we may be organized as a Mission under the name of _____.

We further agree to conform to the Constitution and Canons established for the government of the Diocese of Texas and to raise funds among us and faithfully pay to the Treasurer of the Diocese such obligation as may be assumed by us for the support of the missionary work in the Diocese.”

Section 12.4 *Organization, Appointments and Elections*

(a) Should the Bishop, or in the Bishop's absence, the Standing Committee, approve of such organization, the Bishop shall appoint a Bishop's Committee to include a Warden, a Clerk, and a Treasurer, who shall hold their offices until the first Monday in January, or until such day thereafter as shall be convenient for an election. The Treasurer need not be a member of the Bishop's Committee.

(b) Annually on the first Monday in January, or as soon thereafter as convenient, there shall be held a congregational meeting and election for which public notice shall be given during the stated services the Sunday preceding. All members of the Mission shall be eligible to vote who are at least 16 years of age and are confirmed communicants in good standing.

(c) Beginning with the first annual election, or in the event there is no Bishop's Committee, the Clerk and the Treasurer shall be elected by the members of the Mission; and the Warden shall be appointed, subject to the approval of the Bishop, by the Head of Congregation. The Head of Congregation shall have the right to appoint persons to such other positions as are desired. But if there be no Head of Congregation, the Warden shall be appointed by the Bishop; or, if the Bishop makes no appointment, the Warden shall be elected by the members of the Mission; and the other appointments shall rest with the Warden.

(d) Upon approval of the Bishop, or in the Bishop's absence, the Standing Committee, any Mission at its annual election may elect up to fifteen persons to the Bishop's Committee, the number to be determined by Congregational meeting; provided that the terms of office of the Committee members shall be such that one-third of the members shall be elected annually after the first election. After such an election the Warden shall be appointed from those in the Committee, subject to the approval of the Bishop, by the Head of Congregation; and the remaining officers shall be elected by the members of the Mission from those in the Committee, or by the Committee from its own membership, as the members of the Mission may direct by vote at the meeting.

(e) No person shall serve as a member of the Bishop's Committee until that person shall have subscribed to the declaration required of members of a Vestry in Canon 9.1(b).

(f) When the Mission petitions to become a Parish,

(1) the members of the Bishop's Committee elected in accordance with Section 12.4(d) above, shall continue to serve until their respective terms expire;

(2) it shall comply with the requirements set out in Canon 8 above.

(g) At the annual election the members of the Mission shall elect also one delegate and one alternate delegate to the Council of the Diocese as provided in the Constitution (Section 2.2, 2.3, and 2.5), unless, as provided therein, the members of the Mission direct the Bishop's Committee to make suitable choice. However, the delegate and alternate may be elected at a special congregational meeting called for the purpose, if the Bishop's Committee determines that election at the annual meeting will not allow adequate time to prepare for participation in the Council. Public notice of any special meeting must be given during the stated services the Sunday preceding.

(h) Except at the time of the Bishop's initial appointment of officers, the members of the Bishop's Committee shall be at least 18 years and confirmed communicants of the Church in good standing.

Section 12.5 *Council to Approve Application*

At the first Annual Council of the Diocese following the organization of the Mission, the application as prescribed in Section 12.1, 12.2, and 12.3, shall be submitted to the Council, together with the certificate of approval by the Bishop, or if there be no Bishop, by the Standing Committee. And the Council may act, giving or withholding its consent to the union of the said Mission with the Council as may seem best for the interests of the Church.

Section 12.6 *The Bishop's Committee*

(a) At all meetings of the congregation or of the Bishop's Committee, the Head of Congregation, the Warden, the Clerk, or the Treasurer, taking precedence in the order named, shall have the right to preside.

(b) A majority of the Committee members, the whole having been duly cited to meet, shall constitute a quorum; and a majority of the quorum so convened shall be competent to act. If a quorum should repeatedly fail to meet, having been duly cited, so that the affairs of the Church go unattended, the Head of Congregation, as chair, may declare a representative group of the Committee members competent to act.

(c) The Bishop's Committee shall establish rules for and keep a record of its proceedings. It shall meet as required by its own rules, or whenever called by the Bishop, the Head of Congregation, or a majority of its members. It shall be the duty of the Bishop's Committee to administer the temporal concerns of the Church, to collect necessary moneys, to provide for prompt payment of all liabilities incurred and assessments levied by Diocesan Council, to attend to all matters pertaining to Church properties and their maintenance, to provide the Head of Congregation a discretionary fund as required by General Canon, to contribute to the Head of Congregation's salary, to take part in special offerings such as that requested for Theological Education and for other purposes, and, in general, to assist the Head of Congregation in carrying on the work of the Church.

(d) By two-thirds vote of the whole membership, approved by the Head of Congregation of the Mission and the Bishop, the Bishop's Committee may remove any member of the Bishop's Committee whose conduct may tend to bring reproach on the Church.

Section 12.7 *Duties of Warden*

(a) It shall be the duty of the Warden to secure some room or house to be used as a place of worship, and with the advice of the Head of Congregation to provide all things necessary for conducting the service decently and in order, and to make provision for the bread and wine of the Holy Communion. The Warden shall have a care that the offerings are collected at each service and paid over to the Treasurer of the Mission. It shall also be the Warden's duty to supervise the Bishop's Committee in collecting and forwarding to the proper officers all assessments levied by the Council. With the assistance of the Bishop's Committee, the Warden shall in general carry out the functions of a parish Warden as specified in Canon 10.

(b) In the absence of a resident Head of Congregation, the Warden shall take care of the altarware, also of any linen, service books, or other property belonging to the Mission; and

it shall be the Warden's duty, if possible, to provide continuing services of worship. It also shall be the Warden's duty, in the absence of a Head of Congregation to make for the Mission such reports as the Bishop, Council, or the diocesan officers may from time to time require.

Section 12.8 *Duties of Clerk*

It shall be the duty of the Clerk to keep a record of events of importance to the Mission, and a list of the members of the Mission. In the absence of a Head of Congregation the Clerk shall have custody of the Parish Register and of the Register of Services, but the entries therein must be made under the direction of the Head of Congregation, or if none, of the Warden.

Section 12.9 *Duties of Treasurer*

It shall be the duty of the Treasurer of the Mission to receive all moneys contributed to the Church through the Mission, to make whatever disbursements are required by Canon or the Council, or authorized by the Bishop's Committee. Specifically the Treasurer shall conduct the affairs of the Treasurer's office in accordance with the provisions of Canon 8.6(b) and Canons 13, 14, 18, and 19. The Treasurer shall keep account of all monetary transactions, and provide the diocesan officers, the Head of Congregation, and the Bishop's Committee, such reports as they may from time to time require. The Treasurer shall reimburse the Head of Congregation and the Warden for actual expenses necessarily incurred in the performance of the duties required of them by Canons or directed by the Bishop's Committee. The receipt of the Head of Congregation or the Warden shall be a proper voucher, such receipt stating the item of expense.

Section 12.10 *Dissolution*

The failure of the Mission to fulfill the stipulations may warrant the Executive Board of the Diocese, with the consent of the Bishop, in withdrawing the Head of Congregation and dissolving the Mission.

Section 12.11 *(This section has been deleted)*

Section 12.12 *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 12.13 *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.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): Section 12.1 specifies that a mission make payments to the Missionary Fund, which no longer exists under the current Diocesan budget structure. The proposed language aligns with other practice and policy of paying assessments as set by Council. The term “Head of Congregation” was again substituted as before to maintain consistency and allowance for fact the Head of Congregation may not be clergy or a missionary. Section 12.4 as it exists requires certain positions that may not be needed or desired by a mission. The proposed changes allow the mission the flexibility to have positions that it needs and/or desires. Section 12.11 was removed because it is addressed in Canon 5, which sets forth the duties and responsibilities of the Executive Board, which includes this as well.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

**Canon 13
FINANCE**

EXISTING:

Section 13.4 *Arrears in Assessments*

No Parish or Mission in arrears for any of the assessments for the support of the Diocese shall be entitled to representation in the Diocesan Council until all past due assessments have been paid or have been remitted by the Council. Arrears in premiums due to the Church Pension Fund are governed by Canon 18.7 and Council may not remit any arrears for the Church Pension Fund.

PROPOSED

Section 13.4 *Arrears in Assessments*

No Parish or Mission in arrears for any of the assessments for the support of the Diocese shall be entitled to representation in the Diocesan Council until all past due assessments have been paid or have been ~~remitted~~ forgiven by the Council. Arrears in premiums due to the Church Pension Fund are governed by Canon 18.7 and Council may not ~~remit~~ forgive any arrears for the Church Pension Fund.

IF AMENDED:

Section 13.1 *Fiscal Year of Diocese and Parishes*

The fiscal year of this Diocese and each Parish and Mission thereof shall begin January 1st.

Section 13.2 *Communicants to Contribute*

The Bishop, as the chief Pastor, has a claim upon each baptized member of the Church, and especially upon the communicants, for the Bishop's support; and each communicant shall contribute annually towards the payment of such sum as the Council may assess for that purpose, the payment of which assessment is enjoined as a sacred duty.

Section 13.3 *Annual Budget – Assessments*

Each Annual Council shall arrange and adopt a budget for the year for the necessary and proper expenses of the Diocese as prescribed in the Constitution; the Executive Board of the Diocese shall distribute and assess equitably against each Parish and Mission in union with the Council the amount of the budget so adopted as its proportionate share of the financial obligations of the Diocese for the year; and such assessments shall become a charge against the Parish or Mission so assessed from the time it is approved and ordered by the Council, and shall be payable monthly. Each Parish or Mission may take such steps as may seem best for providing and paying to the Treasurer of the Diocese the amount so assessed, or may pay the same from the general fund of the Parish or Mission.

Section 13.4 *Arrears in Assessments*

No Parish or Mission in arrears for any of the assessments for the support of the Diocese shall be entitled to representation in the Diocesan Council until all past due assessments have been paid or have been forgiven by the Council. Arrears in premiums due to the Church Pension Fund are governed by Canon 18.7 and Council may not forgive any arrears for the Church Pension Fund.

Section 13.5 *Annual Audits*

The accounts of all Parishes, Missions, and other Church institutions and organizations in the Diocese relating to the receipts and expenditures or investments of money shall be audited annually at the end of each calendar year by an independent Certified Public Accountant, independent Licensed Public Accountant, or such audit committee as shall be authorized by the Executive Board. The reports of all such audits, including any memoranda issued by the auditing authority regarding internal controls or other accounting matters, shall be filed with the Bishop not later than thirty (30) days following the date of such reports but in any event prior to September 1 of each year covering the financial reports of the previous calendar year.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The term “remitted” in Section 13.4 can be interpreted as either canceling the past due amount by a parish or mission or as having been paid by the Council. Substituting the word “forgiven” clarifies the intent of this language that no parish or mission can have representation at council unless its past due assessments have been paid by the parish/mission or removed from diocesan ledger(s) by action of the Council.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 14 OFFERINGS

EXISTING:

Section 14.1 *Bishop's Purse*

Offerings taken on the occasion of a visit of the Bishop, Bishop Coadjutor, or a Bishop Suffragan shall be for the purse of the Bishop making such visitation. Each shall have the right to disburse such offerings, and funds otherwise acquired, in furtherance of the Bishop's activities and the work of the Church in this Diocese.

PROPOSED:

Section 14.1 *Bishop's Purse*

Offerings taken on the occasion of a visit of the Bishop, Bishop Coadjutor, or a Bishop Suffragan shall be for the purse of the Bishop making such visitation. Each Bishop shall have the right to disburse such offerings, and funds otherwise acquired, in furtherance of the Bishop's activities and the work of the Church in this Diocese. Such offerings shall be sent to the Discretionary Fund of the Bishop making the visit.

IF AMENDED:

Section 14.1 *Bishop's Purse*

Offerings taken on the occasion of a visit of the Bishop, Bishop Coadjutor, or a Bishop Suffragan shall be for the purse of the Bishop making such visitation. Each Bishop shall have the right to disburse such offerings, and funds otherwise acquired, in furtherance of the Bishop's activities and the work of the Church in this Diocese. Such offerings shall be sent to the Discretionary Fund of the Bishop making the visit.

Section 14.2 *Whitsunday Offering*

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

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The word “Bishop” was added as a clarifier for the language in Section 14.1. The language about sending the collected offerings to the Discretionary Fund of the visiting Bishop reflects current practice in the Diocese regarding a Bishop’s purse.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

**Canon 15
DISBURSEMENT OF FUNDS**

EXISTING:

**Canon 15
DISBURSEMENT OF FUNDS**

Section 15.1 *Disbursements Authorized*

No fund, except the Diocesan Mission Fund, shall be disbursed except upon order of the Council, or for any object other than that for which it was created; and no disbursements shall be made from either of the special funds to exceed in any one year the amount of the annual accruing interest thereon, or the income derived from any property other than interest-bearing securities.

PROPOSED:

~~**Canon 15
DISBURSEMENT OF FUNDS**~~

~~Section 15.1 *Disbursements Authorized*~~

~~No fund, except the Diocesan Mission Fund, shall be disbursed except upon order of the Council, or for any object other than that for which it was created; and no disbursements shall be made from either of the special funds to exceed in any one year the amount of the annual accruing interest thereon, or the income derived from any property other than interest bearing securities.~~

IF AMENDED:

**Canon 15
(*This canon has been deleted*)**

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): This canon deals with unknown past “special funds” that no longer exist. Hence, this canon is no longer necessary.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 16
THE EPISCOPAL ENDOWMENT FUND

EXISTING:

Section 16.1 *Administration of Fund*

(a) It shall be the duty of all persons having in their possession, custody, or control, any money, property, securities, or papers belonging to the Fund for the Endowment of the Episcopate, to turn over the same to the custody and control of the said Trustees of the Protestant Episcopal Church Council of the Diocese of Texas.

(b) It shall be the duty of all persons who shall hereafter receive any moneys or property of any character from any source for the endowment of the Episcopate to immediately turn over and deliver to said Trustees. all such money or property so received.

(g) The Trustees shall pay to the Treasurer of the Diocese, semi-annually, all amounts received as interest on the outstanding investments, the same to be used in the payment of the salary of the Bishop of the Diocese, as aforesaid; provided, the amount so paid to the Treasurer of the Diocese shall not exceed the salary of the Bishop, and if there be an excess, the same shall be invested as part of the capital fund.

PROPOSED:

Section 16.1 *Administration of Fund*

~~(a) It shall be the duty of all persons having in their possession, custody, or control, any money, property, securities, or papers belonging to the Fund for the Endowment of the Episcopate, to turn over the same to the custody and control of the said Trustees of the Protestant Episcopal Church Council of the Diocese of Texas.~~

~~(b) It shall be the duty of all persons who shall hereafter receive any moneys or property of any character from any source for the endowment of the Episcopate to immediately turn over and deliver it to said Trustees of the Protestant Episcopal Church Council of the Dioceses of Texas. all such money or property so received.~~

~~(g) The Trustees shall pay to the Treasurer of the Diocese, ~~semi-annually~~, all amounts received as interest on the outstanding investments, the same to be used in the payment of the salary of the Bishop of the Diocese, as aforesaid; provided, the amount so paid to the Treasurer of the Diocese shall not exceed the salary of the Bishop, and if there be an excess, the same shall be invested as part of the capital fund.~~

IF AMENDED:

Section 16.1 *Administration of Fund*

The Episcopal Endowment Fund shall be held and controlled by the Trustees of the Corporation known as the Protestant Episcopal Church Council of the Diocese of Texas as

provided in Section 8.1 of Article 8 of the Constitution, under the following rules and regulations:

(a) (this subsection has been deleted)

(b) It shall be the duty of all persons who shall receive any moneys or property of any character from any source for the endowment of the Episcopate to immediately deliver it to said Trustees of the Protestant Episcopal Church Council of the Dioceses of Texas.

(c) It shall be the duty of the Trustees to convert all properties received by them for the use of said fund, whether said properties be received by gift, devise, or by purchase; and to invest without delay all money received in well-secured loans and in first-class securities, as may be deemed the most advantageous to said fund.

(d) The net annual income arising from the investments of this fund, after paying the necessary expenses incident to the management thereof, or so much thereof as shall be necessary, shall be applied to the payment of the salary of the Bishop of this Diocese; and the remainder of said net income, if any there be, shall be applied to increasing the capital of said fund. Any profits derived from the sale of securities may be used in the support of the Bishop and Bishop Coadjutor, if there be one, as the Trustees may determine.

(e) In the management of said fund, said Trustees are authorized to sign all checks, receipts, releases, acquittances, and such other instruments as may be necessary to the legal and economical administration of said fund.

(f) The Trustees shall make as a separate report to each Annual Council, a complete statement of the administration of said fund showing all moneys or property received since the last annual report; also all loans outstanding, to whom made, the character of security, rate of interest, and moneys and properties on hand at the time of said report, and where deposited or situated, and such other information as will disclose the true status of said fund.

(g) The Trustees shall pay to the Treasurer of the Diocese all amounts received as interest on the outstanding investments, the same to be used in the payment of the salary of the Bishop of the Diocese, as aforesaid; provided, the amount so paid to the Treasurer of the Diocese shall not exceed the salary of the Bishop, and if there be an excess, the same shall be invested as part of the capital fund.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): Section 16.1(a) was deleted because it refers strictly to the initiation of the fund and is no longer relevant. Section 16.1(b) was modified to simplify the language providing more clarity about what is required. "Semi-annually" is removed from Section 16.1(g) as this no longer reflects current practice.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 17
THE BISHOP QUIN FOUNDATION

EXISTING:

Section 17.3 *Diocesan Headquarters Building*

The sum of \$50,000.00 of the permanent fund, or so much thereof as may be required, has been used for the purpose of providing suitable Diocesan Headquarters in which the office of the Bishop and other Diocesan offices are maintained and Diocesan records kept. All matters pertaining to the selection or erection and establishment of such headquarters were determined by the Bishop and Executive Board of the Diocese.

Section 17.4 *Use of Funds*

The corpus of the permanent fund shall not be expended except as provided in Section 17.3 hereof. All or any part of income therefrom may, from time to time, be placed in the revolving fund, if so determined by the Board of Trustees of the Foundation.

The revolving fund may be loaned or advanced for any purposes which the Bishop and said Board of Trustees may determine to be in furtherance of the spiritual and physical welfare of the Diocese particularly in accordance with the current Mission of The Bishop Quin Foundation which is to help build the Church.

PROPOSED:

~~Section 17.3 *Diocesan Headquarters Building*~~

~~The sum of \$50,000.00 of the permanent fund, or so much thereof as may be required, has been used for the purpose of providing suitable Diocesan Headquarters in which the office of the Bishop and other Diocesan offices are maintained and Diocesan records kept. All matters pertaining to the selection or erection and establishment of such headquarters were determined by the Bishop and Executive Board of the Diocese.~~

~~Section 17.4 *Use of Funds*~~

~~The corpus of the permanent fund shall not be expended except as provided in Section 17.3 hereof. All or any part of income therefrom may, from time to time, be placed in the revolving fund, if so determined by the Board of Trustees of the Foundation.~~

~~The revolving fund may be loaned or advanced for any purposes which the Bishop and said Board of Trustees may determine to be in furtherance of the spiritual and physical welfare of the Diocese particularly in accordance with the current Mission of The Bishop Quin Foundation which is to help build the Church.~~

IF AMENDED:

Section 17.1 *Creation of Fund*

In commemoration of the Twenty-fifth Anniversary of the consecration of the Rt. Rev. Clinton S. Quin as Bishop in the Diocese of Texas, all contributions made on the occasion of such Anniversary are hereby set aside and appropriated for the purpose of creating a fund which shall be known as The Bishop Quin Foundation.

Section 17.2 *Revolving and Permanent Funds*

The sum of \$9,000.00 of the funds originally contributed, together with Twenty-five Per Cent of all contributions subsequently made, shall be placed in the revolving fund. The balance of the funds originally contributed, together with Seventy-five Per Cent of all subsequent contributions, shall be placed in the permanent fund. However, any donor may specify the fund or funds in which his or her contribution shall be placed.

Section 17.3 *(This section has been deleted)*

Section 17.4 *Use of Funds*

The corpus of the permanent fund shall not be expended. All or any part of income therefrom may, from time to time, be placed in the revolving fund, if so determined by the Board of Trustees of the Foundation.

The revolving fund may be loaned or advanced for any purposes which the Bishop and said Board of Trustees may determine to be in furtherance of the spiritual and physical welfare of the Diocese particularly in accordance with the current Mission of The Bishop Quin Foundation which is to help build the Church.

Section 17.5 *Board of Trustees*

The Board of Trustees of The Bishop Quin Foundation shall consist of the Bishop, who shall be an *ex-officio* member and chair of the Board, and shall further consist, at all times, of nine or more other members, the number of whom shall be a multiple of three, at least three of whom shall be members of the Clergy, and at least six of whom shall be lay persons, who are at least 18 years of age and are confirmed communicants in good standing in some Parish or Mission in the Diocese. One-third of the original Board shall be elected for a one-year term, one-third for a two-year term, and one-third for a three-year term. Members of the Board of Trustees shall be elected by the Council of the Diocese of Texas on nomination of the Diocesan. The Treasurer of the Diocese shall be an *ex-officio* member of the Board. The Bishop Coadjutor, if there be one, or a Bishop Suffragan, may be assigned by the Bishop as an *ex-officio* member of the Board. At each succeeding Annual Council one-third of the regular members of the Board of Trustees shall be elected for a three-year term. Members elected at the 1956 Council, and thereafter, who serve six consecutive years, may not be elected to succeed themselves until after one year has elapsed. The Board shall be charged with the duty of raising additional funds for the purpose of increasing the assets of The Bishop Quin Foundation and enlarging its activities and the scope of its work.

Section 17.6 *Incorporation – Officers – Executive Committee*

The Board of Trustees is hereby authorized to organize a nonprofit corporation in furtherance of its religious, charitable, and educational activities, the same to be known as “The Bishop Quin Foundation.” The Board of Trustees shall serve as Trustees of the Corporation and shall be elected as now or as may hereafter be provided by the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas. The Trustees shall elect a President, Vice President, Secretary, Treasurer, and any such officers the Board may deem necessary, all of whom shall be charged with such duties and responsibilities as provided by law, and as may from time to time be provided in by-laws, which the Trustees are authorized to adopt, consistent with said Constitution and Canons. The Secretary and Treasurer need not be a member of the Board of Trustees. The by-laws may authorize an Executive Committee with such powers as may be provided in the by-laws and by the Board of Trustees.

Section 17.7 *Administration of Funds*

The Board of Trustees shall have full charge of the administration, investment, reinvestment, and disbursement of both permanent and revolving funds.

Section 17.8 *Annual Reports*

The Board of Trustees shall make an annual report of its activities to each Council, including a report of all receipts and disbursements of the funds of the Foundation. If and when required by the Executive Board of the Diocese, the Board of Trustees shall make such additional reports and furnish such additional information to the Executive Board as may be required.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): Section 17.3 regarding the Diocesan Headquarters Building is no longer necessary as it referred to a one-time action that has been completed.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

**Canon 21
PROPERTY**

EXISTING:

Section 21.2 *Sale, Lease, or Other Disposition*

If the particular use for which such property has been conveyed or the purpose of the trust fails and it becomes necessary to sell or lease the property, or otherwise dispose of it, the Church Corporation known as the Protestant Episcopal Church Council of the Diocese of Texas, with the advice and consent of the Standing Committee, or a majority of the members

of that body, or of the Bishop, is hereby authorized to execute such legal instruments as may be necessary to convey, lease, or effect such other disposition as is herein authorized.

PROPOSED:

Section 21.2 *Sale, Lease, or Other Disposition*

If the particular use for which such property has been conveyed or the purpose of the trust fails and it becomes necessary to sell or lease the property, or otherwise dispose of it, the Church Corporation known as the Protestant Episcopal Church Council of the Diocese of Texas, with the ~~advice and consent of the Standing Committee, or a majority of the members of that body, or of the Bishop~~ or the Standing Committee or a majority of the members of that body, if there be no Bishop, is hereby authorized to execute such legal instruments as may be necessary to convey, lease, or effect such other disposition as is herein authorized.

IF AMENDED:

Section 21.1 *Title to Property*

The title to all real estate and other property acquired for the use of the Church in this Diocese, as well as to property conveyed to institutions of a Diocesan character or for their use, shall be vested as provided in Article 9 of the Constitution.

Section 21.2 *Sale, Lease, or Other Disposition*

If the particular use for which such property has been conveyed or the purpose of the trust fails and it becomes necessary to sell or lease the property, or otherwise dispose of it, the Church Corporation known as the Protestant Episcopal Church Council of the Diocese of Texas, with the consent of the Bishop or the Standing Committee or a majority of the members of that body, if there be no Bishop, is hereby authorized to execute such legal instruments as may be necessary to convey, lease, or effect such other disposition as is herein authorized.

Section 21.3 *Right to Sell, Convey, or Encumber*

No Rector, Wardens, or Vestry shall, by deed or otherwise, without the written consent of the Bishop or the Standing Committee or a majority of the members of that body, if there be no Bishop, alienate, convey, or in any manner dispose of any lands or real property, title to which is in them vested as aforesaid, nor charge or in any manner encumber the same for any purpose whatever. No conveyance or encumbrance of real property shall be valid unless joined in or approved by the Church Corporation.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The proposed changes to Section 21.2 make the language in that section consistent with the language in the subsequent Section 21.3.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 31
PROTESTANT EPISCOPAL CHURCH COUNCIL
OF THE DIOCESE OF TEXAS

EXISTING:

Section 31.5 *Title to Properties - Conveyances - Encumbrances*

Title to the properties now owned and hereafter acquired by the Protestant Episcopal Church Council of the Diocese of Texas for its use and benefit and for the use and benefit of Parishes, Missions, and other Diocesan Organizations, shall be held in the name of said corporation and may only be conveyed or encumbered with the approval of the Board of Trustees and in accordance with the Constitution and Canons of the Diocese of Texas. All of the assets and properties of the Corporation and accumulations thereof shall be held and administered to effectuate its purposes; provided, subject to Article 9 of the Constitution and Canon 20, all assets, properties, and distributions heretofore or hereafter received by the Diocese from the Estate of H. H. Coffield, Deceased, except dispositions, if any, heretofore made by the Corporation, shall be set aside and appropriated for the purpose of creating a fund, which shall be known as the Coffield Fund, to be administered by the Episcopal Foundation of Texas. Except as provided above, all of the assets and properties of the Corporation and accumulations thereof shall be held and administered to effectuate its purposes. In case of liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, or by operation of law, the assets or properties of the Corporation shall be distributed in such manner as the Board of Trustees of the Corporation shall direct; provided, however, that any such distribution shall be such as is calculated to be exclusively to carry out the purposes for which the Corporation is formed, or for one or more other exempt purposes within the meaning of the applicable provisions of the Internal Revenue Code of 1954, as amended, or any similar federal statute then in effect, and rules and regulations pursuant thereto.

PROPOSED:

Section 31.5 *Title to Properties - Conveyances - Encumbrances*

~~Title to the properties now owned and hereafter acquired by the Protestant Episcopal Church Council of the Diocese of Texas for its use and benefit and for the use and benefit of Parishes, Missions, and other Diocesan Organizations, shall be held in the name of said corporation and may only be conveyed or encumbered with the approval of the Board of Trustees and in accordance with the Constitution and Canons of the Diocese of Texas. All of the assets and properties of the Corporation and accumulations thereof shall be held and administered to effectuate its purposes; provided, subject to Article 9 of the Constitution and Canon 20, all assets, properties, and distributions heretofore or hereafter received by the Diocese from the Estate of H. H. Coffield, Deceased, except dispositions, if any, heretofore made by the Corporation, shall be set aside and appropriated for the purpose of creating a fund, which shall be known as the Coffield Fund, to be administered by the Episcopal Foundation of Texas. Except as provided above, all of the assets and properties of the Corporation and accumulations thereof shall be held and administered to effectuate its purposes. In case of liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, or by operation of law, the assets or properties of the Corporation~~

shall be distributed in such manner as the Board of Trustees of the Corporation shall direct; provided, however, that any such distribution shall be ~~such as is calculated to be~~ exclusively to carry out the purposes for which the Corporation is formed, or for one or more other exempt purposes within the meaning of the applicable provisions of the Internal Revenue Code of 1954, as amended, or any similar federal statute then in effect, and rules and regulations pursuant thereto.

IF AMENDED:

Section 31.1 *An Instrumentality of the Diocese*

Protestant Episcopal Church Council of the Diocese of Texas, a nonprofit, benevolent, and charitable corporation, organized under Texas laws, also known as The Church Corporation, is authorized under its charter powers, in addition to its regular corporate powers, to receive, hold, manage, and administer funds and properties acquired by gift or by will or otherwise, for the use and benefit of the Diocese and any Diocesan institution, and may also act as trustee in receiving, holding, managing, and administering funds for the use and benefit of any Parish or Mission in the Diocese.

Section 31.2 *Trustees and Powers*

The management of its affairs shall be conducted and administered by a Board of Trustees of five elected members, all of whom shall either be lay persons, at least 18 years of age who are confirmed communicants in good standing of some Parish or Mission in the Diocese, or members of the Clergy canonically resident in the Diocese of Texas, in addition to the Bishop of the Diocese, who shall serve as Chair of the Board or who may designate the President or other officer of the corporation to serve as such. The Board of Trustees shall have the power and authority to conduct the affairs of said corporation in accordance with its charter and by-laws and in accordance with the Constitution and Canons of the Diocese from time to time adopted. If the office of Bishop is vacant, the Standing Committee shall promptly designate one of its members to serve as a member of the Board of Trustees until a Bishop is elected and qualified, and, until a Bishop is elected and qualified, such member, in consultation with the Standing Committee, may exercise the power expressly granted to the Bishop in this Canon.

Section 31.3 *Elections – Vacancies*

One member of the Board of Trustees shall be elected at each Annual Council and each member shall serve for a term of five years. The term of each member shall be so arranged that the term of only one member shall expire annually. The Board of Trustees may fill any vacancies that occur on the Board until the next Annual Council, when any vacancy shall be filled by election for the remainder of the unexpired term.

Section 31.4 *Officers and By-Laws*

The Board of Trustees shall have power to adopt its own by-laws and to alter, amend, or repeal the by-laws or to adopt new by-laws. The Board of Trustees shall elect such officers as its by-laws may require from time to time.

Section 31.5 *Title to Properties - Conveyances - Encumbrances*

Title to the properties now owned and hereafter acquired by the Protestant Episcopal Church Council of the Diocese of Texas for its use and benefit and for the use and benefit of Parishes, Missions, and other Diocesan Organizations, shall be held in the name of said corporation and may only be conveyed or encumbered with the approval of the Board of Trustees and in accordance with the Constitution and Canons of the Diocese of Texas. All of the assets and properties of the Corporation and accumulations thereof shall be held and administered to effectuate its purposes. In case of liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, or by operation of law, the assets or properties of the Corporation shall be distributed in such manner as the Board of Trustees of the Corporation shall direct; provided, however, that any such distribution shall be exclusively to carry out the purposes for which the Corporation is formed, or for one or more other exempt purposes within the meaning of the applicable provisions of the Internal Revenue Code of 1954, as amended, or any similar federal statute then in effect, and rules and regulations pursuant thereto.

Section 31.6 *Reports and Records*

The Board of Trustees shall submit a report at each Annual Council covering its operation for the preceding fiscal year and showing its financial condition. If and when required by the Executive Board of the Diocese, the Board of Trustees shall make such additional reports and furnish such additional information as may be requested. The books and records of the Board of Trustees shall at all times be open for inspection and examination by the Executive Board of the Diocese or its representatives.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The references in Section 31.5 to the Estate of H. H. Coffield are no longer necessary because the estate is now closed and its assets have been distributed to the Episcopal Foundation of Texas. Other recommended changes in the same section simplify language to provide more clarity.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 32
THE WILLIAM TEMPLE EPISCOPAL CENTER

EXISTING:

Canon 32
THE WILLIAM TEMPLE EPISCOPAL CENTER

Section 32.1 *Authority to Establish Episcopal Center*

Authority is hereby granted for incorporating the William Temple Foundation also to be known as the William Temple Episcopal Center, as a nonprofit corporation under Texas laws,

to foster individual cultural, educational, and spiritual growth of persons preparing for or engaged in the medical professions and allied services, at the University of Texas Medical Center in Galveston, the same to be operated as an instrumentality of the Diocese and hereafter known as “the Episcopal Center.”

Section 32.2 *Selection of Board – Elections – Vacancies*

The first Board of Trustees shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council one-third of the elected members shall be elected to serve three years, one-third of the elected members shall be elected to serve two years, and one-third of the elected members shall be elected to serve one year. At each Annual Council thereafter one-third of the elected members shall be elected for full terms and any vacancies shall be filled. All elections shall be upon nomination by the Bishop. The Board of Trustees may fill any vacancies which occur until the following Annual Council. Retiring members of the Board who have served full three-year terms shall not be eligible for renomination until a period of one year shall have elapsed.

Section 32.3 *Trustees – Powers and Duties*

The management of the affairs of the Episcopal Center shall be conducted by a Board of Trustees consisting of not less than 21 nor more than 35 elected members, in addition to the Bishop and Bishop Coadjutor, if there be one, and any Suffragan Bishop assigned to the Center, who shall be *ex-officio* members. A majority of such Board shall be confirmed communicants in good standing of the Episcopal Church. All members of the Board shall be at least 18 years of age. The Board of Trustees shall have the power and authority to acquire, erect, equip, manage, and operate the Episcopal Center on its own financial responsibility in accordance with its charter and in accordance with the Constitution and Canons of the Diocese of Texas, and by-laws to be adopted by the Board.

Section 32.4 *Executive Director – Chaplain*

The Bishop, or Bishop Coadjutor if requested by the Bishop, or a Suffragan Bishop, if so assigned to the Board by the Bishop, in consultation with the Board of Trustees, shall appoint a member of the Clergy of the Protestant Episcopal Church to serve as Executive Director of the William Temple Episcopal Center and as Chaplain at the University of Texas Medical Center. Such Executive Director and Chaplain shall have supervision over the personnel, property, and activities of the Episcopal Center and the Chapel, subject to approval of the Board of Trustees, and in accordance with its by-laws and the Constitution and Canons of the Diocese.

Section 32.5 *By-Laws and Officers*

The Board of Trustees shall adopt its own by-laws and elect such officers as the by-laws may provide. Officers shall be elected by and from the Board of Trustees at the first meeting of the Board next following the holding of each Annual Council, and shall hold office for one year and until their successors are elected and qualified.

Section 32.6 *The University Chapel of St. Luke the Physician*

The Board of Trustees may establish a Chapel to be known as “The University Chapel of St. Luke the Physician,” which will be in union with the Council and under the authority of the Bishop. Such Chapel shall maintain all the usual records and shall make such parochial reports as are required by the Bishop. The Trustees shall select a Warden of the Chapel who shall have the qualifications and responsibilities prescribed for the Warden of a Mission by the Canons of the Diocese. The Chapel shall be represented in Council by the Chaplain, but if none, by a delegate appointed by the Bishop.

Section 32.7 *Reports, Records, and Funds*

The Board of Trustees shall file a written report at each Annual Council covering the operation of the Episcopal Center and showing its financial condition. The Executive Board of the Diocese shall be furnished such additional reports and information as it may require. A complete record shall be made of all funds and money received and disbursed in the operation of the Episcopal Center. Such funds shall be used solely in furtherance of the aims and purposes of the Episcopal Center.

PROPOSED:

Canon 32
THE WILLIAM TEMPLE EPISCOPAL CENTER

~~Section 32.1 — *Authority to Establish Episcopal Center*~~

~~Authority is hereby granted for incorporating the William Temple Foundation also to be known as the William Temple Episcopal Center, as a nonprofit corporation under Texas laws, to foster individual cultural, educational, and spiritual growth of persons preparing for or engaged in the medical professions and allied services, at the University of Texas Medical Center in Galveston, the same to be operated as an instrumentality of the Diocese and hereafter known as “the Episcopal Center.”~~

~~Section 32.2 — *Selection of Board — Elections — Vacancies*~~

~~The first Board of Trustees shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council one-third of the elected members shall be elected to serve three years, one-third of the elected members shall be elected to serve two years, and one-third of the elected members shall be elected to serve one year. At each Annual Council thereafter one-third of the elected members shall be elected for full terms and any vacancies shall be filled. All elections shall be upon nomination by the Bishop. The Board of Trustees may fill any vacancies which occur until the following Annual Council. Retiring members of the Board who have served full three-year terms shall not be eligible for renomination until a period of one year shall have elapsed.~~

~~Section 32.3 — *Trustees — Powers and Duties*~~

~~The management of the affairs of the Episcopal Center shall be conducted by a Board of Trustees consisting of not less than 21 nor more than 35 elected members, in addition to the~~

~~Bishop and Bishop Coadjutor, if there be one, and any Suffragan Bishop assigned to the Center, who shall be *ex-officio* members. A majority of such Board shall be confirmed communicants in good standing of the Episcopal Church. All members of the Board shall be at least 18 years of age. The Board of Trustees shall have the power and authority to acquire, erect, equip, manage, and operate the Episcopal Center on its own financial responsibility in accordance with its charter and in accordance with the Constitution and Canons of the Diocese of Texas, and by laws to be adopted by the Board.~~

~~Section 32.4 — *Executive Director — Chaplain*~~

~~The Bishop, or Bishop Coadjutor if requested by the Bishop, or a Suffragan Bishop, if so assigned to the Board by the Bishop, in consultation with the Board of Trustees, shall appoint a member of the Clergy of the Protestant Episcopal Church to serve as Executive Director of the William Temple Episcopal Center and as Chaplain at the University of Texas Medical Center. Such Executive Director and Chaplain shall have supervision over the personnel, property, and activities of the Episcopal Center and the Chapel, subject to approval of the Board of Trustees, and in accordance with its by-laws and the Constitution and Canons of the Diocese.~~

~~Section 32.5 — *By Laws and Officers*~~

~~The Board of Trustees shall adopt its own by laws and elect such officers as the by laws may provide. Officers shall be elected by and from the Board of Trustees at the first meeting of the Board next following the holding of each Annual Council, and shall hold office for one year and until their successors are elected and qualified.~~

~~Section 32.6 — *The University Chapel of St. Luke the Physician*~~

~~The Board of Trustees may establish a Chapel to be known as “The University Chapel of St. Luke the Physician,” which will be in union with the Council and under the authority of the Bishop. Such Chapel shall maintain all the usual records and shall make such parochial reports as are required by the Bishop. The Trustees shall select a Warden of the Chapel who shall have the qualifications and responsibilities prescribed for the Warden of a Mission by the Canons of the Diocese. The Chapel shall be represented in Council by the Chaplain, but if none, by a delegate appointed by the Bishop.~~

~~Section 32.7 — *Reports, Records, and Funds*~~

~~The Board of Trustees shall file a written report at each Annual Council covering the operation of the Episcopal Center and showing its financial condition. The Executive Board of the Diocese shall be furnished such additional reports and information as it may require. A complete record shall be made of all funds and money received and disbursed in the operation of the Episcopal Center. Such funds shall be used solely in furtherance of the aims and purposes of the Episcopal Center.~~

IF AMENDED:

**Canon 32
(This canon has been deleted)**

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): This canon is obsolete, as the William Temple Episcopal Center no longer operates in the manner described in the canon. Instead, the William Temple Episcopal Center currently operates out of Trinity Episcopal Church in Galveston as a campus ministry to UTMB. Like other campus ministries, the missioner reports to the Bishop's office. The William Temple Foundation still exists to provide financial support to the Center, but it does not require a separate canon. A Texas non-profit corporation, the Foundation is governed by a board of directors pursuant to articles of incorporation and bylaws approved by the Bishop.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 33
EPISCOPAL FOUNDATION OF TEXAS

EXISTING:

Section 33.1 *An Instrumentality of the Diocese*

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

PROPOSED:

Section 33.1 *An Instrumentality of the Diocese*

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

IF AMENDED:

Section 33.1 *An Instrumentality of the Diocese*

The Episcopal Foundation of Texas, a nonprofit corporation organized and existing by virtue of the laws of the State of Texas (the Foundation), is hereby designated as an instrumentality of the Diocese to hold and administer, subject to Article 9 of the Constitution, and Canon 21, the following:

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

in the revolving fund for other general purposes of the Diocese, excluding the Budget of the Diocese, which purpose may include gifts, grants, loans, and advances to Episcopal Relief and Development and other charitable trusts, nonprofit corporations, and national organizations affiliated with the Protestant Episcopal Church in the United States of America, all as may from time to time and at any time hereafter be designated by the Trustees of the Foundation, with consent of the Bishop.

(2) All assets, properties, and distributions heretofore or hereafter received by the Foundation, other than those received by the Diocese from the Estate of H. H. Coffield, Deceased, shall be set aside and appropriated for the purpose of creating one or more fund(s), as determined by the Trustees of the Foundation. The purpose of such fund(s) shall be, (a) to render financial assistance to worthy and capable men and women in the Diocese of Texas desirous of entering the ordained ministry of the Protestant Episcopal Church in the United States of America (the Episcopal Church); (b) to render financial assistance to the worthy and capable men and women in the Diocese of Texas who are presently engaged in, or who desire to prepare for, religious work in the Episcopal Church; (c) to render supplementary financial aid to the members of the Episcopal clergy of the Diocese of Texas; (d) to render financial assistance to such activities, projects, agencies, and instrumentalities of the Episcopal Church in the Diocese of Texas for which adequate financial provision has not been made; and (e) to foster, develop, and contribute generally to the support of the religious, educational, and charitable work of the Episcopal Church in the Diocese of Texas by making gifts, grants, loans, and advances solely and exclusively for religious, educational, and charitable purposes to any organization, institution, agency, or other body of, or in any way associated, affiliated, or connected with, the Episcopal Church in the Diocese of Texas.

Section 33.2 *Trustees – Powers and Duties*

The management of the affairs of the Foundation shall be conducted by a Board of Trustees consisting of not less than four nor more than sixteen elected members, all of whom are confirmed communicants in good standing, at least 18 years of age, of some Parish or Mission in the Diocese of Texas, in addition to the Bishop and Bishop Coadjutor, if there be one, and any Suffragan Bishop assigned to the Board by the Bishop, who shall be *ex-officio* members. The Board of Trustees shall have the power and authority to manage, operate, and conduct the affairs of the Foundation on its own financial responsibility in accordance with the legal instrument creating the same, the Constitution and Canons of the Diocese of Texas, and the by-laws to be adopted by the Board.

Section 33.3 *Selection of Board – Elections – Vacancies*

One-fourth of the elected members of the Board of Trustees shall be elected at each Annual Council, and each member shall serve for a term of four years. All elections shall be upon nomination by the Bishop. The Board of Trustees, with the consent of the Bishop, may fill any vacancies that occur on the Board until the next Annual Council, when any vacancy shall be filled by election for the remainder of the unexpired term. Retiring members of the Board who have served full four-year terms shall not be eligible for renomination until a period of one year shall have elapsed.

Section 33.4 *Properties*

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

Section 33.5 *By-Laws and Officers*

The Board of Trustees shall adopt its own by-laws and elect such officers as the by-laws may provide. Officers shall be elected by and from the Board of Trustees at the first meeting of the Board next following the holding of each Annual Council and shall hold office for one year and until their successors are elected and qualified.

Section 33.6 *Reports and Records*

The Board of Trustees shall file a written report at each Annual Council covering its operations for the preceding fiscal year and showing its financial condition. If and when required by the Executive Board of the Diocese, the Board of Trustees shall make such additional reports and furnish such additional information as may be requested. A complete record shall be made of all funds and moneys received and disbursed in the operation of the Foundation, and the funds and moneys so received and disbursed shall be used solely in furtherance of the aims and purposes of the Foundation.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The proposed changes to Section 33.1.(1) reflect the facts that the Diocese has only one budget now and the Presiding Bishop's Fund for World Relief is now named Episcopal Relief and Development.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 37
COMMUNITY OF THE STREETS OUTREACH CORPORATION

EXISTING:

Canon 37
COMMUNITY OF THE STREETS OUTREACH CORPORATION

Section 37.1 *An Instrumentality of the Diocese*

The Corporation known as Community of the Streets Outreach Corporation (the “Corporation”), organized and existing as a nonprofit corporation under the laws of the State of Texas, is hereby recognized and designated as an instrumentality of the Diocese of Texas for the purpose of support of and ministry to and among homeless, indigent and otherwise needy persons, provided its charter and by-laws shall be approved by the Bishop.

Section 37.2 *Directors and Powers*

The management of the affairs of the Corporation shall be conducted by a Board of Directors of not fewer than nine (9) nor more than fifteen (15) elected members, in addition to the Bishop of the Diocese and the Bishop Coadjutor, if there be one, any Suffragan or Assistant Bishop of the Diocese assigned to the Board by the Bishop, the executive director of the Corporation designated by the Board of Directors and the Priest-In-Charge of Lord of the Streets Episcopal Church, Houston, each of whom shall be an *ex-officio* member. All members of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate the Corporation on its own financial responsibility in accordance with its charter and by-laws and the Constitution and Canons of the Diocese.

Section 37.3 *Selection of Board – Elections – Vacancies*

The first Board of Directors shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council one-third of the elected members shall be elected to serve three years, one-third of the elected members shall be elected to serve two years, and one-third of the elected members shall be elected to serve one year. At each Annual Council thereafter one-third of the elected members shall be elected for full terms of three years each and any vacancies shall be filled. All elections shall be upon nomination by the Bishop. Directors whose terms are to expire shall be eligible for re-election to the Board of Directors. The Board of Directors may fill any vacancies that occur until the next Annual Council.

Section 37.4 *By-Laws and Officers*

The Board of Directors shall adopt its own by-laws, which by-laws and any amendment thereof shall be subject to the approval of the Bishop. The Bishop of the Diocese shall be the Chair of the Board (Chair), or in the Bishop’s absence or at the Bishop’s request, the Bishop Coadjutor shall serve as Chair. The officers, other than the Chair, shall be a President, one or more Vice Presidents (the number to be determined by the by-laws), a Secretary, a Treasurer, and other such officers as may be elected in accordance with the by-laws. All other officers of

the Corporation, except the Chair, shall be elected annually by the Board of Directors at the meeting of the Board next following each Annual Council. With the exception of the Chair, all officers shall hold office for one year and until their successors are elected and qualified.

Section 37.5 *Reports, Records, and Funds*

The Board of Directors shall file a written report at each Annual Council, in a form acceptable to Council, covering the operation of the Corporation and showing its financial condition. If and when required by the Executive Board of the Diocese, the Board of Directors shall make such additional reports as may be requested. The books and records of the Board of Directors shall at all times be open for inspection and examination by the Executive Board of the Diocese or its representatives.

PROPOSED:

Canon 37 ~~COMMUNITY OF THE STREETS OUTREACH CORPORATION~~

~~Section 37.1 *An Instrumentality of the Diocese*~~

~~The Corporation known as Community of the Streets Outreach Corporation (the "Corporation"), organized and existing as a nonprofit corporation under the laws of the State of Texas, is hereby recognized and designated as an instrumentality of the Diocese of Texas for the purpose of support of and ministry to and among homeless, indigent and otherwise needy persons, provided its charter and by laws shall be approved by the Bishop.~~

~~Section 37.2 *Directors and Powers*~~

~~The management of the affairs of the Corporation shall be conducted by a Board of Directors of not fewer than nine (9) nor more than fifteen (15) elected members, in addition to the Bishop of the Diocese and the Bishop Coadjutor, if there be one, any Suffragan or Assistant Bishop of the Diocese assigned to the Board by the Bishop, the executive director of the Corporation designated by the Board of Directors and the Priest-In-Charge of Lord of the Streets Episcopal Church, Houston, each of whom shall be an *ex officio* member. All members of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate the Corporation on its own financial responsibility in accordance with its charter and by laws and the Constitution and Canons of the Diocese.~~

~~Section 37.3 *Selection of Board — Elections — Vacancies*~~

~~The first Board of Directors shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council one third of the elected members shall be elected to serve three years, one third of the elected members shall be elected to serve two years, and one third of the elected members shall be elected to serve one year. At each Annual Council thereafter one third of the elected members shall be elected for full terms of three years each and any vacancies shall be filled. All elections shall be upon nomination by the Bishop.~~

~~Directors whose terms are to expire shall be eligible for re-election to the Board of Directors. The Board of Directors may fill any vacancies that occur until the next Annual Council.~~

~~Section 37.4 — *By Laws and Officers*~~

~~The Board of Directors shall adopt its own by laws, which by laws and any amendment thereof shall be subject to the approval of the Bishop. The Bishop of the Diocese shall be the Chair of the Board (Chair), or in the Bishop's absence or at the Bishop's request, the Bishop Coadjutor shall serve as Chair. The officers, other than the Chair, shall be a President, one or more Vice Presidents (the number to be determined by the by laws), a Secretary, a Treasurer, and other such officers as may be elected in accordance with the by laws. All other officers of the Corporation, except the Chair, shall be elected annually by the Board of Directors at the meeting of the Board next following each Annual Council. With the exception of the Chair, all officers shall hold office for one year and until their successors are elected and qualified.~~

~~Section 37.5 — *Reports, Records, and Funds*~~

~~The Board of Directors shall file a written report at each Annual Council, in a form acceptable to Council, covering the operation of the Corporation and showing its financial condition. If and when required by the Executive Board of the Diocese, the Board of Directors shall make such additional reports as may be requested. The books and records of the Board of Directors shall at all times be open for inspection and examination by the Executive Board of the Diocese or its representatives.~~

IF AMENDED:

**Canon 37
(This canon has been deleted)**

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): This canon is no longer necessary as the Community of the Streets Outreach Corporation was merged into The Beacon and no longer exists separately.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

**Canon 38
SCHOOLS**

EXISTING:

Section 38.1 *Relationship to the Diocese*

All schools or other educational facilities providing secular education for young people equivalent to that provided by nursery schools or on the kindergarten, grade school, grammar school, or high school level, and located on any premises used for the benefit of or operated

under the control, auspices, or approval of any Parish, Mission, organization, or institution of the Diocese, or any combination or group thereof, shall be an Episcopal School of the Diocese, and no such school shall be established, maintained, or operated without the written approval and consent of the Bishop of the Diocese of Texas. The Principal, Headmaster, or Headmistress of an Episcopal School of the Diocese shall be a confirmed communicant in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. The Rector (or if the office of Rector is vacant, the Senior Warden) or Priest-in-Charge or Missionary of the sponsoring Parish or Mission (for the purpose of this sentence, the "Rector") shall be a member *ex-officio* and Chair of the governing board of the school; provided that, in the absence of or at the pleasure of the Rector, a designee of the Rector may serve from time to time as Chair.

PROPOSED:

Section 38.1 *Relationship to the Diocese*

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

IF AMENDED:

Section 38.1 *Relationship to the Diocese*

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

the sponsoring Parish or Mission shall be a member *ex-officio* and Chair of the governing board of the school; provided that, in the absence of or at the pleasure of the Head of Congregation, a designee of the Head of Congregation may serve from time to time as Chair.

Section 38.2 *Standards of Compliance*

(a) The Bishop shall establish a Diocesan Commission on Schools consisting of no less than 5 nor more than 12 communicants in good standing in the Diocese. It shall be the duty of the Commission to publish (subject to the Bishop's approval) 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. All schools shall comply with such Standards as well as the other provisions of this Canon.

(b) Each school shall comply with health, safety, fire, and sanitation standards at least equal to those required at any time by state, county, and municipal health, safety, fire, and sanitation codes for the locality in which such school is located, and the Bishop or the Bishop's representative shall inspect, or cause to be inspected, at least annually, all schools in order to ascertain compliance with such codes and standards. In addition, each school shall maintain standards in all respects that will enable the Diocese to certify to all governmental authorities that such school is entitled to the benefit of exemption from all licensing provisions imposed by such governmental authority.

Section 38.3 *Failure of Compliance*

Any such school that fails to comply with the provisions of this Canon shall not be entitled to be located on any property that is used for the benefit of any Parish, Mission, institution, or organization of the Diocese of Texas; and neither shall it be entitled to be operated under the control, auspices, or approval of any such Parish, Mission, institution, or organization of the Diocese of Texas.

Section 38.4 *Reports and Inspections*

The Bishop shall have the right at any time, and from time to time, to require and obtain such information and reports as may be deemed necessary by the Bishop to ensure compliance with this Canon, and the Bishop shall likewise have the right at any time, and from time to time, to inspect or cause to be inspected, each such school in order to monitor compliance with the provisions of this Canon. The Bishop shall have the right at any time to appoint one or more representatives to assist the Bishop in ensuring compliance with the Canon.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): Throughout these amendments, the term "Head of Congregation" is proposed to replace "Rector, Priest-in-Charge, or other clergy" to acknowledge that the Head of Congregation may not be ordained, yet still holds responsibilities such as those relating to schools described herein.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Canon 39
SPECIAL COMMITTEE FOR GENERAL FUNDS APPEALS

EXISTING:

Canon 39
SPECIAL COMMITTEE FOR GENERAL FUNDS APPEALS

Section 39.2 *Membership*

(a) The Special Committee for General Funds Appeal shall consist of the following persons:

(1) An elected member of the Executive Board shall be selected by the Executive Board to serve for a term of one year as Chair.

(2) The various Bishops of the Diocese.

(3) Three of the Deans of Convocations shall be selected by the Deans themselves. The length of term shall be one year and no member so selected shall serve more than two consecutive terms.

(4) One lay representative from each Convocation of the Diocese shall be appointed by the Dean of each Convocation immediately subsequent to the close of each Annual Council. The term of office for each convocational representative shall be from the close of each Annual Council until the close of the next succeeding Annual Council and until a successor shall have been selected. Any vacancy in the lay representation on the Committee shall be filled until the next Annual Council by the Special Committee.

(b) No retiring member elected either by the Executive Board or appointed by the Dean of any Convocation for a full term shall be eligible for re-election or reappointment, as the case may be, until the Annual Council meeting next following the Annual Council at which his or her term expires or expired.

Section 39.3 *Duties*

(a) No General Funds Appeal shall be made among the Parishes and Missions of the Diocese until the proposal therefor has been presented to the Committee for its consideration and recommendation by the person or institution making the proposal, at least 30 days prior to the convening of the Annual Council.

(b) It shall be the duty of the Committee to report to the next meeting of the Council following the submission to it of any proposed General Funds Appeal.

(c) No General Funds Appeal shall be made among the Parishes and Missions of the Diocese unless authorized by the Council after hearing the report of the Committee.

PROPOSED:

Canon 39
~~SPECIAL COMMITTEE FOR GENERAL FUNDS APPEALS~~

Section 39.2 — ~~Membership~~

~~(a) The Special Committee for General Funds Appeal shall consist of the following persons:~~

~~(1) An elected member of the Executive Board shall be selected by the Executive Board to serve for a term of one year as Chair.~~

~~(2) The various Bishops of the Diocese.~~

~~(3) Three of the Deans of Convocations shall be selected by the Deans themselves. The length of term shall be one year and no member so selected shall serve more than two consecutive terms.~~

~~(4) One lay representative from each Convocation of the Diocese shall be appointed by the Dean of each Convocation immediately subsequent to the close of each Annual Council. The term of office for each convocational representative shall be from the close of each Annual Council until the close of the next succeeding Annual Council and until a successor shall have been selected. Any vacancy in the lay representation on the Committee shall be filled until the next Annual Council by the Special Committee.~~

~~(b) No retiring member elected either by the Executive Board or appointed by the Dean of any Convocation for a full term shall be eligible for re-election or reappointment, as the case may be, until the Annual Council meeting next following the Annual Council at which his or her term expires or expired.~~

Section 39.3 ~~Duties Requirements~~

~~(a) No General Funds Appeal shall be made among the Parishes and Missions of the Diocese until the proposal therefor has been presented at least thirty (30) days prior to the convening of the annual council to the Committee Bishop and the Executive Board for its their consideration and recommendation ~~by the person or institution making the proposal,~~ at least 30 days prior to the convening of the Annual Council.~~

~~(b) It shall be the duty of the Committee Bishop and the Executive Board to report to the next meeting of the Council following the submission to it of any proposed General Funds Appeal.~~

~~(c) No General Funds Appeal shall be made among the Parishes and Missions of the Diocese unless authorized by the Council after hearing the reports of the Committee Bishop and the Executive Board.~~

IF AMENDED:

**Canon 39
GENERAL FUNDS APPEALS**

Section 39.1 *Definition*

(a) For the purpose of this Canon the term “General Funds Appeal” shall mean any solicitation of funds made by or for the Diocese or any institution thereof among the Parishes and Missions of the Diocese for any Diocesan purpose which requires the action and support of the Vestry or Bishop's Committee of the Parish or Mission in which the appeal is made.

(b) The term “General Funds Appeal” shall not mean any solicitation of funds by any Parish or Mission of its own volition among its own members for any purpose.

(c) The term “General Funds Appeal” shall not mean any solicitation of funds made among all the Parishes and Missions of the Diocese in support of any program of the National Church.

Section 39.2 *(This section has been deleted)*

Section 39.3 *Requirements*

(a) No General Funds Appeal shall be made among the Parishes and Missions of the Diocese until the proposal therefor has been presented at least thirty (30) days prior to the convening of the annual council to the Bishop and the Executive Board for their consideration and recommendation.

(b) It shall be the duty of the Bishop and the Executive Board to report to the next meeting of the Council following the submission to it of any proposed General Funds Appeal.

(c) No General Funds Appeal shall be made among the Parishes and Missions of the Diocese unless authorized by the Council after hearing the reports of the Bishop and the Executive Board.

SUBMITTED BY: The Executive Board.

RATIONALE (by the Executive Board): The Special Committee for General Funds Appeals is no longer a functioning committee in the Diocese. The proposed changes to this Canon allow General Fund appeals to be made upon the recommendation of the Bishop and the Executive Board.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

Maria Wyckoff Boyce, Chair

COMMITTEE ON NOMINATIONS

Treasurer

Robert Biehl, St. Martin's, Houston

Secretary

The Rev. Canon John Logan, Diocese of Texas

Church Corporation

Mark Browning, St. Andrew's, Bryan

Jolynn Free, All Saints', Austin

Standing Committee Lay

Rebecca Brindley, St. Michael's, Austin

Rhoda Fanning, St. Martin's, Houston

Andy Vickery, Christ Church Cathedral, Houston

Standing Committee Clergy

The Rev. Meredith Holt, Grace, Galveston

The Rev. Pedro Lopez, San Pedro/St. Peter's, Pasadena

The Rev. Mark Marmon, All Saints', Hitchcock

Executive Board Lay

Steve Cook, St. Christopher's, Killeen

Lewis Foxhall, St. John the Divine, Houston

John Hancock, Christ Church, Temple

Scott Madison, St. James', Austin

Ellen Mallay, St. John the Divine, Houston

S Wayne Mathis, Grace, Alvin

Priscilla Plumb, Palmer Memorial, Houston

Rob Rowland, Christ Church Cathedral, Houston

Ed Ziegler, Holy Comforter, Spring

Executive Board Clergy (three more)

The Rev. Nancy Deforest, St. Stephen's, Beaumont

The Rev. Wendy Huber, St. John's, Marlin

The Rev. Beth Magill, UT Student Center, Austin

The Rev. Mitch Tollett, St. Francis', Tyler

Sewanee Trustee

William Gage, St. John the Divine, Houston

Seth Hinkley, Christ Church Cathedral, Houston

COMMITTEE ON RESOLUTIONS

There were no proposed resolutions submitted to the Committee on Resolutions for consideration.

Courtesy Resolutions of the 166th 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 140-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 166th 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 166th Council of the Diocese of Texas, assembled in The Woodlands, 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Paul E. Lambert, 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Rayford B. High, Jr., 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Dean E. Wolfe, Bishop of the Episcopal Diocese of Kansas.

Greetings to the Episcopal Diocese of Northwest Texas

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

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

RESOLVED, that the 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Gary R. Lillibridge, Bishop of the Episcopal Diocese of West Texas.

Greetings to the Episcopal Diocese of Western Kansas

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

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

RESOLVED, that the 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, 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 166th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, 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 thirteen seminarians preparing for Holy Orders attending the Seminary of the Southwest, Virginia Theological Seminary, Sewanee School of Theology, and Brite Divinity School, as well as nine 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 166th 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 Albert Rodriguez, Edward Stein, Ann Normand, Cecilia Smith, Gary Jones, Laurens Hall, Margaret Waters, David Alwine, James Nutter, Robert Hyde, Frank Fuller, and Janie Kirt Morris have faithfully served the Church and this diocese through their ministries in parishes, institutions, and boards; and

WHEREAS, these clergy have retired from the active ministry during 2014 and up to this date in 2015; 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 166th 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, Rebecca Sweitzer has faithfully served the Episcopal Diocese of Texas through her ministry; and

WHEREAS, as a member of the Diocesan Staff she retired during the year 2014; and

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

RESOLVED, that the 166th Council of the Episcopal Diocese of Texas gives glory to God for her faithful witness and wishes her 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 The Woodlands, 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 166th Annual Council of the Episcopal Diocese of Texas gives praise to God for the dedicated ministry of the Council Management Committee members, including the Rev. Canon Kathryn M. Ryan, Chair; Mary Cloud, Diocesan Council Coordinator; David Harvin, Chancellor ex officio; the Rev. William Fowler, Chair for the Dispatch of Business; Susan Duif; Seth Hinkley; the Rev. Kenneth L. Fields; and Tammy Tiner.

Keith Giblin, Chair

III. REPORTS OF BISHOPS

REPORT OF BISHOP HARRISON

Serving the Diocese of Texas is an opportunity for both thanksgiving and delight! Our diocese is incredibly diverse, energetic, and focused on the mission of God in the world. Serving as one of your bishops is a front-row seat to all the amazing things happening every day in the diocese. Many things unfold in one year, and it can be hard to gather them all. However, it is a privilege to recall some of these things at the end of the year.

Our work in World Mission has been quite fruitful as we have established three companion relationships (Southern Malawi, Costa Rica, and North Dakota). This group has been ably led by The Rev. Janie Kirt Morris, and after her retirement this year, The Rev. Meredith Holt. The board continues to make Millennium Development Goal grants and grants to congregations for mission projects. Members will be in attendance at Diocesan Council to promote parish-to-parish relationships with our companions.

The Rev. Cecilia Smith retired from the Austin office as Safe Church Officer in March this year. Her work has been faithful and productive, and we give thanks for it and for her companionship in ministry. She is succeeded by The Rev. Carol Petty, who carries on the excellence of this work.

During this year I continued to serve on the Steering Committee for the Gathering of Leaders, an organization founded by Bishop Payne to convene young clergy leaders for peer learning about mission. These gatherings are energizing and inspiring.

As members of Bishops Against Gun Violence, Bishop Fisher and I attended a conference on violence prevention in Oklahoma City. There were a number of people from the Diocese of Texas there, and we learned a great deal. The bishops continue to collaborate in supporting one another in ministry in this area of concern.

The Austin area has seen a lot of excitement around three new church plants. St. Julian of Norwich continues its solid growth and development. St. Mary Magdalene, Manor rejoiced at moving into its new building, and the Episcopal Church of the Cross, Lake Travis finalized plans to begin weekly worship in February 2015.

Episcopal schools in the Austin area carry on a noteworthy ministry of education, formation, and service. In addition to our many wonderful parish schools, St. Stephen's School (a diocesan institution) celebrated the conclusion of its \$25 million *Frame the Future* campaign; Trinity Episcopal School welcomed Marie Kidd as Head of School after the retirement of Pat Adams, and St. Andrew's Episcopal School continued to build on its many excellent offerings. Our schools are indeed a rich resource for the Austin area.

The Seminary of the Southwest experienced a noteworthy year in 2014, completing a \$15.9 million capital campaign with a total of \$16.2 million raised, and receiving its ten-year accreditation approval from both the Association of Theological Schools and the Southern Association of Colleges and Schools. Dean Cynthia Kittredge continues to lead the seminary community with grace and skill.

The Iona Initiative is a collaboration of the Seminary of the Southwest, the Iona School for Ministry, and a number of dioceses to provide local formation programs for clergy. In its third year, the Initiative is now providing local programming for fifteen dioceses around the Church. It is an inspiring model of collaboration, and the Iona School and Southwest faculties provide instruction of the highest order.

This has been my final year of service on the board of Episcopal Relief and Development. It has been a joy and a privilege to do this work and to support an organization which embodies the values and mission of The Episcopal Church. Its work around the world is nothing short of spectacular, and we can be very proud of what we are able to accomplish together through this ministry.

During this year, the Commission on Ministry has been evaluating our various processes to discern leaders for God's mission. Working with Bishop Doyle's goals for the diocese, we are looking toward some changes to come in 2015. Under the very able leadership of Francene Young, plans are being made to support the identification and formation of lay and clergy leaders in new patterns.

El Buen Samaritano called a new Executive Director in 2014, Iliana Gilman. She is leading a time of visioning and reorganization as we prepare to meet the challenges that health care changes continue to bring us. The Episcopal Health Foundation has been an enormous support in assisting this work. The annual "Hands for Hope" event provided "turkey and the trimmings" for their holiday dinners to over 1,000 families whose average income was \$13,000. Hundreds of donors and volunteers make this possible, and the event highlights the issues of poverty and hunger facing so many of the people in our diocese every day.

The death of Janie Stevens, former Christian Formation Missioner, was an especially sad event this year. Not only was she an esteemed colleague, but she was a long-time friend. Her contributions to the diocese and to the Church have been enormous, and we will miss her. May she rest in peace and rise in glory.

I am grateful to the diocese for its support for all three bishops to attend the House of Bishops meeting in Taipei. After this meeting, Larry and I also participated with a number of other bishops and spouses in a visit to see the church in Hong Kong and Macau. In all three areas, the witness of the church is carried on in powerful and visible ways even though only about 2%-3% of the population in Asia is Christian.

It was also a powerful moment to have the opportunity to visit the church in Macau where Florence Li Tim-Oi ministered during World War II. She was the first woman to be ordained in the Anglican Communion. The bishop summoned her to China where all the clergy had fled from the Japanese occupation. The bishop decided that his concern for the church in Macau was greater than his concern that only men should be ordained. Because the male clergy could not return during the war, he ordained Florence to serve the Macau community, which she did faithfully, under the most difficult circumstances.

As Anglicans, we are inheritors of an amazing tradition, both ancient and modern. It is an exciting life to see the church serving faithfully in our moment in time, seeking to carry on the best of the tradition while allowing the Holy Spirit to shape us in new ways for new times. I remain grateful for my front-row seat!

The Rt. Rev. Dena A. Harrison, Bishop Suffragan

REPORT OF BISHOP FISHER

In these two years as bishop suffragan, I have now been welcomed into 95 of our 153 congregations. As the regional bishop for the East Region, I have been welcomed into all 40 of the congregations in that region. I have been welcomed to 4 college campus ministries and into many diocesan ministries and institutions. It is a joy to serve as one of your bishops; in all of this joyful work, I have logged more than 100,000 miles on my car!

As I travel around our diocese, the number one indicator, to me, of spiritual health – is the presence of joy. For joy, in my opinion, is the number one indicator of resurrection life in Jesus Christ. And I see joy all over our beloved diocese.

In addition to my work with our congregations, below is a description of many of the ministries that I serve in our diocese and the wider Church:

Pastoral Ministries

As the Executive for Pastoral Ministry, I look after the pastoral concerns of all of our clergy. Carol Petty, Safe Church Minister, is working with me to envision a more comprehensive ministry to our clergy and their families. A task force for Clergy Wellness and Care has been gathered to do some visioning in this area; this work is in a very formative stage. Working as a team with Bishop Doyle and Bishop Harrison, your three bishops are responsive to the pastoral needs of our clergy. Four indispensable Chaplains to the Retired Clergy (M. L. Agnew, Jim Alcorn, Dorothy Gremillion and Gary Jones) help me greatly. During 2014, Ben Shawhan and Roland Timberlake regrettably stepped down from their valued service as chaplains. A Retreat for Retired Clergy, Spouses & Surviving Spouses takes place every spring at Camp Allen.

St. James House in Baytown

St. James House is our diocesan retirement community and I serve as the Chair of the Board of Trustees. After a nationwide search, we welcomed Wes Bard as the new Executive Director in January of 2014. Wes had formerly served at a faith-based retirement community in South Carolina. He is an excellent fit and is getting St. James House into good shape! Pam Nolting serves as President of the Board and she and I work together very well. I give thanks for Pam's attention for detail and her huge heart for our residents and their families. In 2015, our board will do some strategic planning. Please keep in mind that St. James House is a missional community for all seniors: both lay and clergy, both Episcopalian and those of all faith backgrounds.

St. Vincent's House in Galveston

I serve as the Chair of the Board of St. Vincent's House, which does incredible ministry to enhance the health and education of the people, especially children, on Galveston Island. In May of 2014, we welcomed the Rev. Freda Marie Brown to serve as the new Executive Director. Michael Jackson, the Executive Director of St. Vincent's House for many years, retired in June. In September, we celebrated the 60th anniversary of St. Vincent's House with a festive weekend that included the installation of Freda Marie Brown on Saturday and a gala reception on Sunday in honor of Michael Jackson's ministry. During 2015, visioning and a

strengthening of the board are planned, as we move into another chapter of service, impacting the health of the people on Galveston Island.

The Episcopal Church Women (ECW)

In October of 2014, we gave thanks for the fantastic three years of service of Betsy Sullivan as ECW President. We now welcome Lisa Martin from St. Mark's in Austin as the next president. The ECW board worked well with me to envision a new format and schedule for the Annual Retreat for Women in the fall. This new format, which now includes an entire weekend, from Friday evening to Sunday at noon, was successful last fall. The next Annual Retreat for Women will be November 20-22, 2015. Mark your calendars.

Daughters of the King (DOK)

The Daughters of the King (DOK) meet in a diocesan assembly twice each year, in the spring and in the fall. I was honored to preach and preside at the opening worship at the fall assembly at Camp Allen. Jackie Eckersley, DOK President, will bring her great ministry of leadership to a close in early 2015. The Daughters are a vibrant ministry of prayer, service and evangelism throughout our diocese.

Diocesan Altar Guild

Joan Konecny, Diocesan Altar Guild Directress, leads the Diocesan Altar Guild in providing valuable information to our altar guilds in all our congregations, including such information as how to keep linens clean and candles filled with liquid wax. Regional workshops, as well as an upcoming annual retreat in March of 2015, are great opportunities for fellowship and information sharing. I attend as many of these as possible, providing a bishop's perspective on the ministry of altar guild work. The National Altar Guild Association (NAGA) board met at Camp Allen in March of 2014 and I was happy to speak to the group. In addition, I was asked to write an article for the NAGA quarterly newsletter in the "Bishop's Chair" column titled "Sacristy Evangelists" and this article has been utilized by altar guilds across the country in encouraging their ministry as behind the scenes evangelists.

Little Church Club

The Little Church Club meets twice a year at Camp Allen for a 24-hour period, to share ideas for ministry and for fellowship. Laity and clergy alike join in. Our small congregations highly impact their communities; it is very inspiring to hear their stories. In 2014, we discussed how to offer music with excellence in smaller congregations as well as outreach creativity in smaller towns. At our meeting in September, we had 25 congregations present, represented by at least one person in each of these congregations. That's one-sixth of the churches in our diocese.

All Saints' Episcopal School in Tyler

I serve on the board of All Saints' Episcopal School in Tyler, which is also the site of the Tyler Diocesan Office. Monetary pledges have been made and architectural drawings have been prepared to build a long-awaited Chapel on the campus. It is a part of the plan for the new Chapel on campus to also include a new location for the Tyler Diocesan Office. I am eager for the groundbreaking on the new Chapel and Tyler Diocesan Office in 2015!

Sabbatical Grants

The Bishop Quin Foundation graciously provides grants to congregations to help offset expenses when clergy take sabbaticals. In June of 2014, I worked with the Quin Foundation board to revise the guidelines for these grants. In 2014, we had a record number of grants awarded. I believe that part of the reason for this is that our clergy have been given a good example in Bishop Doyle taking a sabbatical. Sabbaticals are healthy practices for our clergy and I give thanks for these grants that support clergy health.

Ecumenical Relations

I serve with the Ecumenical / Interreligious Committee of the Diocese of Texas, chaired by Gena Davis. The Texas Conference of Churches, which the Diocese of Texas was involved in for many years, ceased to exist in 2014, as institutions throughout our culture revision structure and organizations. This meshes with my belief that ecumenical relations are best formed by personal relationships, on a more local level. In 2014, a joint luncheon was held with Episcopal and Lutheran (ELCA) clergy in the Houston area, joined by Bishop Doyle and Bishop Michael Rinehart (ELCA bishop). I hope that more events such as these will occur throughout our diocese, forming ecumenical relationships on a personal and local level.

Audit Committee of The Episcopal Church (DFMS)

In service to the wider Episcopal Church, I am the only bishop on the Joint Audit Committee of the Executive Council and the DFMS (the official name of The Episcopal Church). I believe that I have offered a valued voice on this committee in this past year, a voice advocating as a fiduciary for those who give sacrificially to the mission of The Episcopal Church and who expect that the wider Episcopal Church operates with a high degree of integrity.

It is my joy to serve with Bishop Doyle and Bishop Harrison; we make a great team. It is also my joy to serve with a wonderful diocesan staff and to drive all around this diocese to see the joyful faces of - you! Be joyful in the resurrection life of our Lord Jesus Christ, who hopes for us, saying: "I have said these things to you so that my joy may be in you, and that your joy may be complete (John 15:11)."

The Rt. Rev. Jeff W. Fisher, Bishop Suffragan

IV. REPORTS OF OFFICERS OF THE DIOCESE

Historian

There have been no new additions to the History of the Diocese 1980–2013 since last diocesan council. Copies of the history may be obtained from the diocesan office from Alice Kerr. I'm thankful for the work of the Rev. Jimmy Abbott who has collaborated with me in the revision of the latest history.

Mark T. Crawford, Diocesan Historian

Registrar

As registrar of the Diocese of Texas, I certify that for 2014, 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, we did not print a separate "Directory." All information that was included the Directory may now be found on the diocesan Web site (www.epicenter.org). Among other conveniences, this process will allow us to keep up-to-date on additions, deletions, and changes of address.

Also again this year, delegate registration and certification forms for the 166th Council are to be filed online (do not send copies to the Diocesan Center). Forms of other materials for 2015 (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 call the Diocesan Infochange office at (713) 520-1033.

As has been the case for the last several years, copies of Parochial Report forms 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 session of Council on February 7, 2015. After January 1, we will be checking daily to see which Reports have been filed. If your Report is not on file by February 7, Diocesan Canons specify that you are not entitled to be seated or to have a vote in Council. Please make every effort to file your Parochial Report in a timely manner.

John A. Logan, Jr., Secretary

Treasurer

NOTE: The final 2014 Treasurer's Report will be presented at the pre-Council meetings and webinars, 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 Sept. 30, 2014	Audited Dec. 31, 2013
ASSETS		
Cash and Marketable Securities	\$ 485,930	\$ 60,086
Prepaid Expenses	141,721	111,161
Accounts Receivable		
Assessments & Askings	350,262	326,117
Less: Allowance for Doubtful Accounts	(135,189)	-0-
Related Entities	97,650	161,867
Other	30,765	156,930
Notes Receivable	28,243	62,481
Fixed Assets	764,158	667,626
Less: Accumulated Depreciation	<u>(483,112)</u>	<u>(374,352)</u>
TOTAL ASSETS	<u>\$1,280,428</u>	<u>\$1,171,916</u>
LIABILITIES		
Accounts Payable		
Trade	\$ 116,581	\$ 200,896
Related Entities	86,903	100,312
Other	41,524	55,011
Discretionary Accounts	28,388	37,795
Taxes Payable	115	130
Deferred Revenue	25,320	39,016
Line of Credit	-0-	350,000
Notes Payable	<u>9,898</u>	<u>19,858</u>
TOTAL LIABILITIES	<u>\$ 308,729</u>	<u>\$ 803,018</u>
NET ASSETS		
Net Assets	\$ 180,383	\$1,035,241
Net Assets – Special Accounts	187,912	263,321
Current Year – Revenue Over (Under) Expenses	<u>603,404</u>	<u>(929,664)</u>
TOTAL NET ASSETS	<u>\$ 971,699</u>	<u>\$ 368,898</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,280,428</u>	<u>\$1,171,916</u>

The information presented below is for the period January 1 – September 30, 2014.

DIOCESAN BUDGET

	<u>YEAR TO DATE</u> <u>AMOUNTS</u>	<u>2014 ADOPTED</u> <u>BUDGET</u>
REVENUES		
Current Year Assessments (net)	\$5,077,384	\$6,769,846
Foundation Support	854,817	1,100,437
Other Income	<u>348,471</u>	<u>276,794</u>
TOTAL REVENUES	<u>\$6,280,672</u>	<u>\$8,147,077</u>
EXPENDITURES		
Office of the Bishop		
Clergy & Lay Compensation	\$1,448,039	\$1,894,859
Business & Travel	303,110	337,333
Council	215,155	225,000
Other Expenses	208,149	278,500
Ministry of Evangelism & Congregational Development		
Staff Compensation	156,271	206,644
Conferences	116,074	203,000
College Missions	519,023	805,000
Other Expenses	208,257	268,900
Ministry of Service and Outreach		
Support of the Episcopal Church	566,503	755,338
Support of the Anglican Communion	188,711	250,000
World Mission and Other Support	28,086	188,613
Ministry of Formation & Spirituality		
Staff Compensation	255,106	325,897
Other Expenses	297,803	300,500
Administrative Expenses		
Staff Compensation	301,463	461,857
Operating Expenses	796,001	1,149,227
Insurance	137,956	200,910
Other Administrative Expense	247,195	295,499
Special Accounts – NET	<u>(315,634)</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>\$5,677,268</u>	<u>\$8,147,077</u>
NET CHANGE IN ASSETS	<u>\$ 603,404</u>	<u>\$ -0-</u>

The Treasurer's office would be happy to answer any questions regarding the above Diocesan financial information, insurance, property matters, or congregational finances.

Robert J. Biehl, Treasurer

Executive Board

There have been four meetings of the Executive Board since the report to the 165th Council. A final meeting for 2014 has been scheduled for December 10.

Wednesday, December 11, 2013. Notice was given of the beginning of a planned revision of the Diocesan Constitution and Canons. It was noted that the Diocesan office is also in the process of review. A review of the impact of the Unified Budget is underway. A resolution was adopted to continue the policy of the Executive Board of opposing the seating in Council of congregations who are past due on their diocesan payments. The 2014 proposed Unified Budget was adopted by the Board for presentation to Council. Bishop Doyle reported that Stewardship for 2014 has been very positive.

Saturday, February 8, 2014. At a meeting of the Executive Board immediately following the adjournment of the 165th Annual Council, the following officers were elected: Bishop Harrison, Vice-Chair; Bob Biehl, Treasurer; John A. Logan, Jr., Secretary; Patrick Hall, Executive Board representative on the Nominations Committee; Jimmy Abbott, Executive Board representative on the General Funds Appeal Committee.

Wednesday, March 12, 2014. The study and possible revision of the Diocesan Constitution will be multi-year project. It will involve a re-ordering of the canons grouped according to subject, the removal of archaic Canons, and simplification of existing Canons. A progress report will be made at the September meeting. The Board approved disbursement of \$175,000 from the budgeted \$250,000 of the "Gathering" Fund. Elena Marks, President and CEO of the Episcopal Health Foundation, presented a report on the work of the EHF. It was reported that the Texas Conference of Churches was dissolving. Referring to the matter of Canon 43, Bishop Doyle stated that the core problem was reconciliation, not sexuality. It was announced that conversations had started with the various Houston "Main Street" church agencies about how to avoid duplication and also strengthen the various agencies. Wes Bard was announced as the new Head of Saint James' House.

Wednesday, September 10, 2014. The Executive Board heard a presentation on a proposed submission on Black Ministry in the Diocese. The Finance Committee presented an interim report through August that showed good collections. The Budget increase for 2015 is the result of several different items. The Assessment Formula will be the same but with a 1.5% increase over last year for a total of \$6,942,000. The proposed budget was adopted. Following a report and discussion on each of the proposed changes to the Constitution and Canons of the Diocese through Canon 39, the Board adopted a motion to present these changes to the 166th Council.

John A. Logan, Jr., Secretary

V. DIOCESAN COMMITTEES

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, by working with the Diocesan Congregational Development staff, in harmony with the Protestant Episcopal Church Council and the Episcopal Foundation of Texas, by continuing to increase and utilize its resources effectively.

Trustees are elected 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. William Fowler, Ms. Carol Sue “Sukey” Fenoglio, and Ms. Karla Randle-Schapansky (terms expiring in 2015); and The Rev. Victor Thomas, Dr. John Hancock, and Mr. Carvel Glenn (terms expiring in 2016); and The Rev. John Himes, Mr. Gregory Vincent, and Mr. Tim Nutt (terms expiring in 2017). Officers elected by the Board were The Rev. William Fowler, President, Mr. Tim Nutt, Vice-President, Mr. Robert J. Biehl, Treasurer, Mr. David N. Fisher, Secretary, and Mrs. Nancy L. Lennard, 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), William Fowler (President & Convener), Tim Nutt, Mr. Carvel Glenn, and the Treasurer of the Diocese.
- Finance Committee – Monitors and evaluates the foundation’s investments, oil and gas properties, and loan performance. Members are; William Fowler, Gregory Vincent, Tim Nutt, Robert Biehl, and David Fisher.
- Quin / EFT Strategic Mission Grant Committee – Joint Venture which supports the growth of Missionary Outposts/Programs within the Episcopal Diocese of Texas. Bishop Quin Foundation members of the SMG Committee are Karla Randle-Schapansky, William Fowler, Tim Nutt, Carvel Glenn, John Himes, and Carol Sue “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.

The Strategic Mission Grant program is a collaborative venture with the Episcopal Foundation of Texas. This program was modified in 2011. Some of these changes were the elimination of a maximum budget size of a congregation for eligibility, varying grant amounts, and three primary areas of focus. These three areas of focus for funding are newcomer ministries, taking the church into the community “creative evangelism”, and church planting “greenfield evangelism”. This program is designed to strengthen congregations throughout the Diocese by directly providing funds for programmatic offerings that will result in growth.

Throughout the year, the Trustees relied on the hard work and skills of a dedicated and capable staff, most particularly Bob Biehl, David Fisher, and Nancy Lennard. We have been ably advised by Bishop Doyle and we are grateful for and feel blessed by their guidance, advice and support. Our efforts were coordinated throughout the year with the Church Corporation and the Episcopal Foundation of Texas. It is a privilege to work with this exceptional group of Christians with one accord. Respectfully submitted,

William Fowler, President

Church Corporation

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

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

JoLynn Free, President

Episcopal Foundation of Texas

The value of the Episcopal Foundation of Texas increased through the first three quarters of 2014 as a result of gains in the financial markets. At the end of the 3rd quarter in 2014 the assets of the Foundation totaled just over \$61.7 million which represents an increase in market value of just under \$3.0 million since the beginning of 2014. The increase in the value of the Foundation may provide a small increase in the funds available for grants in 2014, depending on the performance of the investment portfolio in the fourth quarter of 2014. Below is a list of the funds budgeted for the various institutions the Episcopal Foundation of Texas supports during the year ended December 31, 2014.

Diocesan Grants:

St James House	\$ 100,000
St. Vincent's House	160,000
El Buen Samaritano	100,000
St. Stephen's School	275,000
Seminary of the Southwest	225,000
Camp Allen	100,000
The Bishop Quin Foundation	325,000
The Bishop Quin Foundation Strategic Mission Grants	<u>442,500</u>
Total:	\$1,727,500

The accounting firm of Blazek & Vetterling LLP has completed auditing The Episcopal Foundation of Texas for the year 2013. There were no significant changes recommended in our accounting procedures. Copies of the Audit report are available in the Diocesan office and can be reviewed upon request.

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

Bruce Harper, President

Episcopal Health Foundation

2014 has been a year of discernment and planning for the new Foundation culminating in the adoption of a three-year strategic plan available on line at http://www.episcopalhealth.org/files/5014/1176/7720/Episcopal_Health_Foundation_-_Strategic_Plan.pdf The plan represents a new approach to health-focused philanthropy that aims to transform people, institutions, and communities in furtherance of improved health for all within the 57 counties of our diocese. Our overarching goals are to strengthen the health delivery system, to catalyze connection among people and groups, including our parishes, within communities, and to engage the power of the people of the diocese to advance community health. Our approach means that we will be working upstream to address the root causes of poor health. We aim to close gaps, not just fill them, to attain long-term, sustainable positive change.

During 2014, our grant-making followed the guidelines used by the former St. Luke's Episcopal Health Charities. Through this process, we distributed \$4.3 million to over 70 organizations. We also awarded a grant of \$3 million to the Seminary of the Southwest to support their training of mental health counselors who will serve disadvantaged populations in community-based settings within the diocese, the first grant awarded in furtherance of our new strategic plan. We continue to make payments in fulfillment of our tithe grant from the proceeds of the transfer of the hospital system to the Great Commission Foundation, and this year that amount was \$3.9 million. Likewise, we awarded a grant of \$5 million to support the health insurance costs of diocesan employees. During 2015, we expect our grant-making budget to be \$14,500,000, including the \$5 million grant for health insurance.

In addition to grant-making, our work in 2014 included several research projects. We compiled and published a compendium of critical health-related data points for each diocesan county and we published 10 research papers in partnership with Rice University's Baker Institute for Public Policy on the implementation of the Affordable Care Act in Texas. We also conducted numerous convenings throughout the diocese, including a 9-stop "road show" during the summer to engage parishioners, community leaders and the non-profit sector in discussion of community health challenges and opportunities.

Our strategic plan and budget anticipate increased programming in the areas of diocesan engagement, research and convening activities. Our diocesan work will be led by two engagement liaisons who will work with all interested parishes to support their work in community engagement and health ministry including consulting and program development. Our research team will lead community-based research projects and will continue to produce health-related research materials. Our convening work will involve providing infrastructure, facilitation and technical support to groups who seek to improve community health and need support in bringing parties together. We are already working on a convening in Tyler to address the development of a system of outpatient, community-based care for low income and uninsured residents. In Waco, we have joined with the collective impact project known as Prosper Waco to provide the community engagement work for that project. And we are conducting community-based participatory research in Beaumont, Baytown and Houston in connection with a community health center.

We look forward to our first full year of operations and to reporting to Diocesan Council at this time next year.

Elena M. Marks, President

VI. CANONICAL REPORTS

Commission on Ministry

The Commission on Ministry is comprised of three groups of dedicated lay and ordained members from across the Diocese who support the seminary, deacon, and bi-vocational tracks to ordination. The Commission on Ministry's primary purpose is to assist in the ongoing discernment of those who feel called to ordained ministry. Nominees are presented to the Commission on Ministry by their local clergy after having completed a local discernment process. The Commission interviews Nominees and determines whether or not a Nominee should proceed to the next steps in the process, which is a meeting with Bishop Harrison, who makes the final decision regarding Postulancy. After Postulants are accepted to study for ordination, the Commission on Ministry continues to track the progress of all Postulants until they are ordained.

In April Bishop Doyle met with the Commission to share his vision of increased focus on missional ministry and its impact on the work of the Commission in identifying and recommending persons for ordination. Since April, work has begun to review the current process of discernment across the Diocese and make recommendations for identifying those persons who appear to have the attributes needed to move forward with an increased missional approach to ministry in the Diocese.

At the August meeting, the Commission began a more in- depth dialogue on the challenge presented by Bishop Doyle to set in motion processes to raise up potential leaders, lay and ordained, to meet the goal of increasing our missional focus as part of Vision 2020. This work continues and will be a focus of the Commission in 2015 which is expected to be a year of change.

The year 2015 is expected to be a year of change as we move forward to create processes and programs that raise up innovative and missional lay and ordained leaders to fulfill the strategic plans set out in the Bishop's vision.

Francene Young, Chair

Examining Chaplains

The Examining Chaplains met to examine four candidates for ordination as Deacons, continuing to use the examination process we developed several years ago as a substitute for the National General Ordinations Examinations. We find it a more satisfactory assessment of the students' writing skills as well as a practical application of those skills. We met for three days in January at Camp Allen for a series of written and oral examinations in addition to having each student plan and lead one of the Daily Offices, including preaching a sermon. We subsequently met in October for a short series of oral examinations of the Deacons before recommending them for ordination as Priests. Current Chaplains are Miles R. Brandon, A. Dean Calcote, Christine Faulstich, James M. L. Grace, Gerald Sevick, and Edward L. Stein.

A. Dean Calcote, Chair

Deacon's Report

We recently have welcomed a deacon from another diocese. Deacon Sharla Marks, who is placed at St. Peter's in Cedar Park came to us from the Diocese of Fort Worth.

Our thirty-two deacons, many of whom hold "regular" jobs, are involved in a great diversity of diaconal work throughout the Diocese. Five deacons worked together and travelled to the Rio Grande Valley to help serve the large numbers of people crossing the border this past summer. One deacon serves as the diocesan liaison between Episcopal Relief and

Development and the Nets for Life program. 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 continues to be involved in the Austin Recovery ministry, a twelve-step recovery ministry. This deacon continues to listen to 5th steps as he has during the past five years. Another deacon oversees a monthly Circle of Care meeting for Community of Hope. Several deacons do hospital chaplaincy at local hospitals, and one also supervises volunteer chaplains. One deacon works with a local organization called Love in the Name of Christ which serves the needy. One deacon is involved in community ministry through the school board and the chamber of commerce. Several deacons are involved in ministry to the elderly at assisted living facilities and nursing homes. Two deacons do chaplain work for hospice organizations. One deacon created an alliance for area youth pastors. One helped form a Boulevard Alliance of Ministry to collaborate in outreach ministry. Four 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, etc. Several deacons are involved in feeding ministries, helping parishioners see the need to minister to the underserved. Several deacons are involved in grief and loss groups or in the program called Walking the Mourner's Path. One deacon is vice-chair of Brazos Interfaith Immigration Network, which involves advocacy, citizenship classes, and an interfaith prayer service. One deacon serves on the Advisory Board for Refugee Services of Texas.

Several deacons are chaplains to law enforcement departments. One deacon worked with other local church communities to organize and provide 5th quarter events for teens following local football games. Some teach first Communion and/or Confirmation classes, including leading a six-week class on the Basics of Faith. Several deacons mentor lay leaders to be the leaders of various outreach projects. One deacon has planned, called, trained, and encouraged leaders for their Saturdays of Service during Lent program and a 2nd annual Service Sunday where parishioners leave the church building and do service work in the community.

Many deacons spend time prayerfully discerning new leaders and raising them up and sending them out. One deacon led a mission trip to Honduras. Several deacons are team members of our diocesan Emergency Spiritual Care Team.

In addition to this work in our communities, several deacons serve in Diocesan-wide roles. The Reverend Pat Ritchie serves as Chair of the Committee for the Diaconate, the Reverend Mary Lenn Dixon coordinates deacon curriculum 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 Betty Divine is Diocesan Jubilee Officer, the Reverend Victoria Mason has participated in and presented a proposal for discernment to the Commission on Ministry, the Reverend Wanda Cuniff has served on the Division of Spiritual Formation, and the Reverend Linda Shelton and the Reverend Sherry Williams are the Diocesan Liaisons for Episcopal Migration Ministries, which has included advocacy in Washington for refugee ministry funding support. The Reverend Joseph Mills serves on the Restorative Justice Ministry Committee. The Reverend Nancy Ricketts serves on the Board of Bayview Mission of the Diocese of California. The Reverend Gill Keyworth and the Venerable Russ Oechsel are jointly Diocesan Emergency Response Coordinators.

The Episcopal Service Corps site in Houston, named Bayou City Service Corps, completed its first year of operation in the summer of 2013. A new group of six fellows began service in August. They work in nonprofits in the city, live in community, have a rule of life, and worship together. A steering committee has been working on creating a second site in Austin.

Recruiting for fellows for both Houston and Austin sites will begin during February of 2015. Matt Blank was named Program Director. Jeremy Bradley, Lisa Hunt (rector of St. Stephen's, Houston), Dr. Andrea Shelton, LaShane Eaglin, Denise Trevino, and Archdeacon Russ Oechsel continue on the steering committee. One deacon serves as a mentor for one of the fellows. This site will serve as a model as others are created in the future in various locales around the diocese.

Russ Oechsel, Jr., Archdeacon

Standing Committee

The 2014–15 Standing Committee members are:

Mrs. Kaye Pendarvis, President
The Rev. Mark Howard, Secretary
Dr. Gregory “Greg” J. Vincent, Representative to the Nominations Committee
The Rev. Mark T. Crawford
Mr. Nathaniel “Junior” Higgins
The Rev. Bertrand “Bert” O. Baetz III

The Standing Committee met in April, August and November of 2014.

Consent to Episcopal elections were given to:

The Rev. Alan M. Gates	Massachusetts
The Rev. Heather Elizabeth Cook	Maryland
The Rev. Brian Richard Seage	Mississippi
The Rev. Robert Stuart Skirving	East Carolina

Consent to hold Episcopal elections were given to the following Diocesan elections:

West Texas	Bishop Coadjutor
Dominican Republic	Bishop Coadjutor

Kaye Pendarvis, President

Disciplinary Board

In the past reporting year, the Disciplinary Board of the Diocese of Texas formally convened only once, on October 30, 2014, in the Diocesan Center to re-elect The Rev. Lisa S. Hines as President and to appoint Danielle Tatro (who works in the Austin Diocesan Office as Assistant to Safe Church Ministries) as Clerk. On that same day, Chancellor David Harvin conducted a training on Title IV for members of the Disciplinary Board and the Diocesan Intake Officers, Canon Kai Ryan and the Rev. Carol Petty. In the course of the year, all complaints were handled at the level of the Intake Officer, Reference Panel, and President. No complaints reached the level of requiring a proceeding before the Conference Panel or Hearing Panel. At the end of the reporting year, members of the Disciplinary Board other than Ms. Hines were Mr. Rick Bostwick, the Rev. Bob Wismer, Mr. B. D. Griffin, the Rev. Stacey Stringer, the Rev. Nancy Ricketts, Ms. Lora Livingston, and the Rev. Arthur Callahan.

Lisa S. Hines, President

VII. FINANCE

2015 Proposed Budget Formula

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

1. Part (A) – The Insurance Formula

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

METHOD:

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

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

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

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

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

2. Part (B) – Diocesan Budget

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

METHOD:

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

2015 Base Percentage

Total Operating Revenue PF

UP TO		\$203,000	6%
\$203,001	to	\$305,000	7%
\$305,001	to	\$508,000	8%
\$508,001	to	\$813,000	9%
OVER \$813,001			10%

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

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

For 2015 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 2015, the Operating Revenue used was that of 2013.)

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
REVENUES			
Current Year Assessments			
Diocesan	6,840,000	6,942,950	
Insurance	103,432	545,000	
Less: Allowance for Uncollectible Accounts	(173,586)	(74,880)	
Net Assessment Revenue	\$ 6,769,846	\$ 7,413,071	
Foundation Support			
Church Corporation	108,000	110,000	
Bishop Quin Foundation	70,000	75,000	
The Episcopal Foundation of TX	85,000	90,000	
Church Corporation		25,000	SRS
Grants for staffing transitions		75,000	RET
Total Foundation Grants	\$ 263,000	\$ 375,000	
Foundation Overhead Allocation			
Church Corporation	174,605	135,582	ALC
Bishop Quin Foundation	86,958	83,940	ALC
The Episcopal Foundation of TX	84,524	124,320	ALC
EHF Overhead to DOT	329,046	224,594	ALC
GCF Overhead to DOT	132,304	134,637	ALC
St. Luke's Health System	30,000	-	SLH
Total Foundation Overhead Payments	\$ 837,437	\$ 703,072	
Program Revenues			
IONA Program Revenue	60,000	65,000	
Safeguarding Revenue	3,000	6,500	
Commission on Ministry Revenue	5,000	2,500	
Congregational Development Revenue	2,000	7,500	
Formation/Youth Event Revenue	60,000	75,000	
Unified Commission Revenues	10,000	35,000	
Bayou City Service Corps		110,000	BCSC
Other Program Revenue	4,000	10,000	
Total Program Revenue	\$ 144,000	\$ 311,500	

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
Other Income			
Suffragan Bishop Election and Registrations	-		
Brochures Sales	8,000	7,000	
Texas Episcopalian Contribution	1,000	5,000	
Diocesan Council - hosted by EDOT	55,000	106,250	COU
"The Conference" Revenues	35,000	35,000	IWC
Compass Rose Society Reimbursement	25,000	50,000	
Other Conference Fees	8,000	8,000	
Miscellaneous Income	794	108	
Total Other Income	\$ 132,794	\$ 211,358	
TOTAL REVENUES	\$ 8,147,077	\$ 9,014,000	

EXPENDITURES

THE OFFICE OF THE BISHOP

Clergy Compensation

Clergy Salaries

Bishop of Texas	209,335	189,543	
Bishop Suffragan - Tyler (Fisher)	98,136	100,819	
Bishop Suffragan - Austin (Harrison)	111,500	114,438	
Assisting Bishops	20,000	5,000	
Canon to the Ordinary (Normand)	11,383	-	
Canon to the Ordinary (Ryan)	41,718	43,752	
Safe Church Minister (Smith)	17,929		
Safe Church Minister (Petty)	49,600	58,082	
Secretary of the Diocese (Logan)	5,313	5,579	
Total Clergy Salaries	\$ 564,914	\$ 517,213	INC

Housing Allowance and Maintenance

Bishop of Texas	35,000	60,000	
Bishop Suffragan - Tyler (Fisher)	36,000	36,000	
Bishop Suffragan - Austin (Harrison)	35,000	35,000	
Canon to the Ordinary (Normand)	15,000		
Canon to the Ordinary (Ryan)	61,500	60,000	
Safe Church Minister (Smith)	14,850		
Safe Church Minister (Petty)	45,000	43,000	
Secretary of the Diocese	25,000	8,000	
Total Housing Allowance and Maintenance	\$ 267,350	\$ 242,000	

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
Pension and Social Security Reimbursement			
Bishop of Texas	69,328	70,387	
Bishop Suffragan - Tyler (Fisher)	45,864	46,436	
Bishop Suffragan - Austin (Harrison)	48,500	58,016	
Assisting Bishops	-	1,868	
Canon to the Ordinary (Normand)	9,871		
Canon to the Ordinary (Ryan)	38,615	38,821	
Safe Church Minister (Smith)	12,265		
Safe Church Minister (Petty)	35,391	37,822	
Secretary of the Diocese	8,280	5,080	
Total Pension and SS Reimbursement	\$ 268,114	\$ 258,430	
Total Clergy Compensation	\$ 1,100,378	\$ 1,017,643	
Lay Staff Compensation			
Salaries	681,081	853,581	INC, NEW
Pensions	61,297	71,827	
Employer FICA	52,103	65,299	
Total Lay Staff Compensation	\$ 794,481	\$ 990,707	
Business and Travel Expense			
Bishop of Texas	68,000	80,000	GC
Bishop Suffragan - Tyler (Fisher)	45,000	55,000	GC
Bishop Suffragan - Austin (Harrison)	40,000	50,000	GC
Assisting Bishops	12,000	2,000	
Canon to the Ordinary (Normand)	7,500	-	
Canon to the Ordinary (Ryan)	38,000	38,000	
Safe Church Minister (Smith)	2,333	-	
Safe Church Minister (Petty)	12,000	15,000	
Secretary of the Diocese (Logan)	7,000	3,000	
Diocesan Bishops, Retired	15,000	10,000	
Other Clergy Business Travel		1,000	
Communications Department Travel	30,000	35,000	GC
Business/Travel - Admin Staff	12,500	12,000	
Interest - Vehicles	3,000	5,000	
Depreciation - Vehicles, Clergy	45,000	25,000	
Total Business and Travel Expense	\$ 337,333	\$ 331,000	

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
Diocesan Council - hosted by EDOT	225,000	286,000	COU
Dialog	107,500	90,000	
Episcopal Assistance	5,000	2,500	
Historian & Archives	20,000	4,000	
Communications Department	25,000	25,000	
Chaplains to the Retired	7,000	7,200	
Office of the Secretary	20,000	1,000	
Interfaith and Ecumenical Work	7,000	4,000	
Commission on Ministry	42,000	40,000	
Safe Church	45,000	65,000	SRS
TOTAL OFFICE OF THE BISHOP	\$ 2,735,692	\$ 2,864,050	

MINISTRY OF EVANGELISM AND CONGREGATIONAL DEVELOPMENT
--

Lay Staff Compensation

Salaries	177,149	189,612	INC
Pensions	15,943	17,065	
Employer FICA	13,552	14,505	
Total Staff Compensation	\$ 206,644	\$ 221,182	

Conferences & Clergy Gatherings	173,000	170,000	
Sharing Faith Dinner	5,000	3,000	
Business/Travel-Evangelism	16,000	16,000	
Iona Center	202,900	215,000	CPE
Contingency (support) for Congregations	75,000	75,000	

Missions

Waco, Baylor University	55,000	55,000	
Houston, Rice University	90,000	100,000	
College Station, A&M University	180,000	180,000	
Austin, University of Texas	180,000	180,000	
University of Houston		60,000	NCM
Campus Missions	300,000	170,000	
TOTAL EVANGELISM AND CONGREGATIONAL DEVELOPMENT	\$ 1,483,544	\$ 1,445,182	

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
MINISTRY OF SERVICE AND OUTREACH			
Support of the Episcopal Church	755,338	776,593	TTH
Support of the Anglican Communion	250,000	250,000	
Support for the University of the South	8,000	8,000	
Millennium Development Goals	57,030	63,098	MDG
World Mission	33,000	35,000	
Companion Dioceses	40,000	40,000	
Disaster Outreach Expense	583	1,000	
Prison & Restorative Justice Missions	50,000	50,000	
TOTAL SERVICE AND OUTREACH	\$ 1,193,951	\$ 1,223,691	
MINISTRY OF FORMATION AND SPIRITUALITY			
Compensation			
Canon for Formation (Newton)			
Stipend	43,898	57,572	INC
Housing	54,000	48,000	
Pension and Social Security Reimbursement	36,630	37,631	
Lay Staff Compensation			
Salaries	164,054	201,360	INC, RCL
Pensions	14,765	18,122	
Employer FICA	12,550	15,404	
Total Staff Compensation	\$ 325,897	\$ 378,089	
Formation Other			
Business/ Travel - Canon for Formation (Newton)	28,000	30,000	GC
Christian Formation	62,500	50,000	RCL
Total Formation Other	90,500	80,000	
Formation Ministries			
Youth Ministry	120,000	125,000	RCL
Unified Commissions Expense	60,000	65,000	
Bayou City Service Corps		110,000	BCSC
Intercultural Ministry	30,000	32,500	
Total Formation Ministries	\$ 210,000	\$ 332,500	
TOTAL FORMATION AND SPIRITUALITY	\$ 626,397	\$ 790,589	

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
ADMINISTRATIVE EXPENSE			
Lay Staff Compensation			
Salaries	363,557	477,415	INC, RET
Reserve for Salary Adjustment	35,000	20,000	
Pensions	35,870	44,767	
Employer FICA	27,430	38,052	
Total Staff Compensation	\$ 461,857	\$ 580,234	
Diocesan Center Operating Expense			
Information Technology	290,000	255,000	SRS
Overhead reimbursement to the EDOT FSC	270,227	284,193	
Secretarial Assistance (Contract Labor)	10,000		
Administrative Contingencies	10,000	5,000	
Utilities	90,000	90,000	
Janitorial, Maint. & Repair	105,000	110,000	
Rent - Austin & Tyler Offices	77,000	85,000	TYL
Storage	20,000	15,000	
Interest and Bank Fees	20,000	15,000	
Miscellaneous Operating Expense	4,000	74	
Total Diocesan Center Operations	\$ 896,227	\$ 859,267	
General Office Expense			
Office Equip Lease/Maint	65,000	60,000	
Office Supplies/Printing	40,000	45,000	
Communications-Telephone	60,000	57,500	
Postage/Delivery Expense	35,000	25,000	
Miscellaneous Office Expense	9,000	7,500	
Payroll Processing Expense	12,000	12,000	
Depreciation - Furniture & Equipment	32,000	27,000	
Total General Office Expense	\$ 253,000	\$ 234,000	
Insurance			
Diocesan Property & Casualty Insurance	55,000	55,000	
Diocesan Workers' Compensation Insurance	25,000	20,000	
Automobile Insurance for Diocesan Vehicles	20,000	22,500	
Group Health Insurance	25,910		
HSA Funding	-	464,487	
Other Health Insurance Costs (insurance reserve)	75,000	75,000	
Total Insurance	\$ 200,910	\$ 636,987	

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
General Convention Deputies Expense		55,000	GC
General Convention Hosting Expense		50,000	HGC
Provincial Synod Assessment	13,500	13,500	
Provincial Synod Delegates Expenses	15,000	15,000	
Legal Expense	100,000	82,500	
Journal Expense	4,000	5,000	
Diocesan Audit	30,000	28,000	
Executive Board	10,000	9,000	
Standing Committee	3,000	2,000	
Business/Travel-Finance Staff	44,999	47,500	GC
Diocesan Staff meetings	10,000	7,500	
Canonical Printing Expense	5,000	5,000	
Calling & Moving	60,000	60,000	
Total Other Admin	\$ 295,499	\$ 380,000	
TOTAL ADMINSTRATIVE EXPENSES	\$ 2,107,493	\$ 2,690,488	
TOTAL EXPENSES	\$ 8,147,077	\$ 9,014,000	
Special Accounts	\$ -		DWC
NET CHANGE IN ASSETS	\$ 0	\$ 0	

THE EPISCOPAL DIOCESE OF TEXAS

2015 DIOCESAN BUDGET

AS APPROVED BY THE EXECUTIVE BOARD AND RECOMMENDED TO THE 166TH DIOCESAN COUNCIL

	2014 Approved Budget	2015 Proposed Budget	NOTES
--	----------------------------	----------------------------	-------

NOTES

- SRS** The cost of running the SRS system is being reported as a Safe Church expense rather than Data Processing and a grant will be requested from the Church Corp. for this expense.
- ALC** Represents revenue from the allocation of Diocesan salaries and overhead to the Foundations
- BCSC** As a change in accounting practice the Bayou City Service Corps will be reported as a line item in 2015 instead a "Special" item in the financial reports.
- RCL** Represents the reclassification of compensation costs to their proper line from program expense lines.
- INC** The diocesan staff to receive a 2% increase for 2015.
- GC** Expenses related to attendance by diocesan representatives at the General Convention to be held in Salt Lake City (6/25-7/3/15).
- HGC** The Diocese of Texas will be hosting General Convention in 2018. These costs represent travel costs for Host Committee volunteers to attend and observe the '15 General
- DWC** The Daring Way Conference will be recorded as a Special Account Item in 2015.
- COU** The 2015 Diocesan Council will be in the Woodlands and costs are higher there. Includes new staff positions. There will be a position for a bilingual communications person
- NEW** and a wellness coordinator in the Bishop's office.
- CPE** A new educational offering for Bi-Vocational priests is included here
- TYL** A new Tyler Diocesan Office will be rented from the Church Corporation.
- RET** Two staff will retire in the Administrative section and their successors are included for the transition period. The Foundations will be asked to support these costs.
- IWC** In 2015 there will be no "Conference". An "Invite Welcome Connect" conference will be held instead.
- NCM** New Campus Mission will be staffed with a full time missionary at mid-year 2015.
- SLH** During 2014 St. Luke's Hospital took over the payroll processing for the Episcopal
- TTH** Represents a tithe of our Diocesan revenues to the Episcopal Church.
- MDG** .7% of Diocesan revenues are made available to meet Millennium Development Goals.

2015 Diocesan Assessments

<u>PARISHES</u>	<u>CITY</u>	<u>2013 OPERATING</u> <u>REVENUES</u>	<u>2015 BASE</u> <u>PERCENTAGE</u>	<u>2015</u> <u>INSURANCE</u>	<u>2015</u> <u>DIOCESAN</u>
Grace	Alvin	\$ 214,745	7.00%	\$ 1,504	\$ 15,032
Holy Comforter	Angleton	274,052	7.00%	1,920	17,423
Christ the King	Atascocita	232,357	7.00%	1,628	16,265
All Saints'	Austin	1,069,531	10.00%	7,493	106,953
Good Shepherd	Austin	2,207,136	10.00%	15,463	220,714
St. Alban's	Austin	349,762	8.00%	2,450	27,981
St. Christopher's	Austin	175,784	6.00%	1,231	6,589
St. David's	Austin	2,376,053	10.00%	16,646	237,605
St. George's	Austin	246,530	7.00%	1,727	17,257
St. James'	Austin	566,851	9.00%	3,971	51,017
St. John's	Austin	211,654	7.00%	1,483	13,026
St. Luke's on the Lake	Austin	884,367	10.00%	6,196	88,437
St. Mark's	Austin	520,073	9.00%	3,643	46,807
St. Matthew's	Austin	1,180,666	10.00%	8,271	118,067
St Michael's	Austin	811,912	9.00%	5,688	73,072
Calvary	Bastrop	338,626	8.00%	2,372	22,038
St. Mark's	Bay City	254,849	7.00%	1,785	17,839
Trinity	Baytown	559,435	9.00%	3,919	50,349
St. Mark's	Beaumont	951,319	10.00%	6,665	95,132
St. Stephen's	Beaumont	614,187	9.00%	4,303	55,277
San Mateo	Bellaire	261,700	7.00%	1,833	18,319
St. Mary's	Bellville	174,905	6.00%	1,225	10,388
St. Peter's	Brenham	367,339	8.00%	2,573	28,517
St. Andrew's	Bryan	429,023	8.00%	3,006	34,322
Epiphany	Burnet	232,254	7.00%	1,627	15,629
Christ Church	Cedar Park	219,101	7.00%	1,535	15,337
St. Francis'	College Station	177,019	6.00%	1,240	10,621
St. Thomas'	College Station	536,551	9.00%	3,759	48,290
St. James the Apostle	Conroe	648,555	9.00%	4,544	53,796
St. Aidan's	Cypress	470,029	8.00%	3,293	37,602
Holy Trinity	Dickinson	254,202	7.00%	1,781	16,660
Christ Church	Eagle Lake	135,311	6.00%	948	8,119
St. Paul's	Freeport	51,327	6.00%	360	2,801
Good Shepherd	Friendswood	554,884	9.00%	3,887	49,940
Grace	Galveston	254,223	7.00%	1,781	17,796
Trinity	Galveston	696,348	9.00%	4,878	61,374
Grace	Georgetown	557,470	9.00%	3,905	50,172
St. Bartholomew's	Hempstead	93,138	6.00%	652	5,588
St. Matthew's	Henderson	119,412	6.00%	837	7,165
Ascension	Houston	549,915	9.00%	3,853	49,492
Christ Church Cathedral	Houston	3,079,178	10.00%	21,572	307,918
Emmanuel	Houston	614,942	9.00%	4,308	55,345

2015 Diocesan Assessments

<u>PARISHES</u>	<u>CITY</u>	<u>2013 OPERATING REVENUES</u>	<u>2015 BASE PERCENTAGE</u>	<u>2015 INSURANCE</u>	<u>2015 DIOCESAN</u>
Epiphany	Houston	537,184	9.00%	3,763	48,347
Holy Spirit	Houston	880,297	10.00%	6,167	88,030
Hope	Houston	158,600	6.00%	1,111	9,516
Palmer Memorial	Houston	2,214,726	10.00%	15,516	221,473
St. Andrew's	Houston	307,591	8.00%	2,155	24,607
St. Barnabas'	Houston	70,699	6.00%	495	4,736
St. Christopher's	Houston	364,009	8.00%	2,550	29,121
St. Cuthbert's	Houston	752,505	9.00%	5,272	67,725
St. Dunstan's	Houston	1,207,245	10.00%	8,458	120,725
St. Francis'	Houston	1,586,892	10.00%	11,117	154,358
St. James'	Houston	573,291	9.00%	4,016	51,596
St. John the Divine	Houston	6,481,761	10.00%	45,409	648,176
St. Luke the Evangelist	Houston	90,247	6.00%	632	5,415
St. Mark's	Houston	810,353	9.00%	5,677	72,932
St. Martin's	Houston	12,346,728	10.00%	86,498	1,109,454
St. Mary's	Houston	541,517	9.00%	3,794	48,737
St. Stephen's	Houston	810,054	9.00%	5,675	72,905
St. Thomas'	Houston	568,646	9.00%	3,984	51,178
St. Thomas the Apostle	Houston	499,084	8.00%	3,496	39,927
Trinity	Houston	810,345	9.00%	5,677	72,931
St. Stephen's	Huntsville	239,129	7.00%	1,675	16,739
Trinity	Jasper	77,655	6.00%	544	4,659
Holy Apostles'	Katy	1,264,781	10.00%	8,861	126,478
St. Paul's	Katy	285,103	7.00%	1,997	16,891
St. Christopher's	Killeen	309,780	8.00%	2,170	21,096
Good Shepherd	Kingwood	1,008,751	10.00%	7,067	98,726
St. James'	La Grange	271,633	7.00%	1,903	19,662
St. Timothy's	Lake Jackson	449,149	8.00%	3,147	35,932
St. Mary's	Lampasas	143,262	6.00%	1,004	8,240
St. John's	La Porte	273,874	7.00%	1,919	19,171
St. Christopher's	League City	576,360	9.00%	4,038	51,872
St. Stephen's	Liberty	216,285	7.00%	1,515	15,140
St. Luke's	Livingston	132,854	6.00%	931	7,971
St. Michael & All Angels	Longview	143,995	6.00%	1,009	8,640
Trinity	Longview	672,561	9.00%	4,712	60,530
St. Cyprian's	Lufkin	532,541	9.00%	3,731	47,929
Trinity	Marble Falls	363,763	8.00%	2,548	29,101
St. John's	Marlin	48,366	6.00%	339	3,026
Trinity	Marshall	478,294	8.00%	3,351	38,264
St. Catherine of Sienna	Missouri City	358,927	8.00%	2,515	26,809
Christ Church	Nacogdoches	385,006	8.00%	2,697	30,800
St. Paul's	Navasota	89,630	6.00%	628	5,378
St. Philip's	Palestine	258,114	7.00%	1,808	18,068
St. Andrew's	Pearland	518,862	9.00%	3,635	46,698

2015 Diocesan Assessments

<u>PARISHES</u>	<u>CITY</u>	<u>2013 OPERATING REVENUES</u>	<u>2015 BASE PERCENTAGE</u>	<u>2015 INSURANCE</u>	<u>2015 DIOCESAN</u>
Holy Trinity	Port Neches	193,675	6.00%	1,357	11,621
St. Francis of Assisi	Prairie View	84,342	6.00%	591	6,972
Calvary	Richmond	475,965	8.00%	3,334	38,077
St. Mark's	Richmond	297,573	7.00%	2,085	17,382
St. Richard's	Round Rock	508,499	9.00%	3,562	42,494
St. John's	Sealy	69,829	6.00%	489	4,026
Holy Comforter	Spring	291,126	7.00%	2,040	20,466
All Saints'	Stafford	416,571	8.00%	2,918	32,146
Holy Cross	Sugar Land	499,034	8.00%	3,496	39,923
Christ Church	Temple	473,234	8.00%	3,315	37,859
St. Francis'	Temple	274,255	7.00%	1,921	19,198
St. George's	Texas City	184,640	6.00%	1,294	10,435
Good Shepherd	Tomball	300,898	7.00%	2,108	21,063
Trinity	The Woodlands	1,384,063	10.00%	9,696	136,293
Christ Church	Tyler	1,368,843	10.00%	9,590	136,884
St. Francis'	Tyler	223,147	7.00%	1,563	15,620
Holy Spirit	Waco	296,835	7.00%	2,080	20,778
St. Alban's	Waco	443,326	8.00%	3,106	35,466
St. Paul's	Waco	1,315,355	10.00%	9,215	131,536
St. Mary's	West Columbia	198,306	6.00%	1,389	11,028
St. Thomas'	Wharton	273,024	7.00%	1,913	19,112
TOTAL PARISHES		\$ 74,799,704		\$ 524,026	\$ 6,710,159

<u>MISSIONS</u>					
Trinity	Anahuac	50,889	6.00%	267	2,879
Resurrection	Austin	259,289	7.00%	1,362	16,110
San Francisco De Asis	Austin	112,131	6.00%	589	6,728
St. Julian of Norwich	Austin/Round Rock	142,652	6.00%	750	8,559
Epiphany	Calvert	20,107	6.00%	106	828
All Saints'	Cameron	62,793	6.00%	330	3,302
St. John's	Carthage	68,514	6.00%	360	4,071
St. John's	Center	31,364	6.00%	165	1,882
St. John's	Columbus	53,386	6.00%	281	3,203
St. Martin's	Copperas Cove	43,734	6.00%	230	2,624
All Saints'	Crockett	31,516	6.00%	166	1,891
St. Augustine of Hippo	Galveston	65,435	6.00%	344	3,926
St. Philip's	Hearne	0	6.00%	0	240
All Saints'	Hitchcock	48,223	6.00%	253	2,893
Christ the King	Houston (Alief)	171,415	6.00%	901	10,285
Grace (St. Geo & Pats)	Houston	273,868	7.00%	1,439	19,171
Lord of the Streets	Houston	58,981	6.00%	310	3,539
Redeemer	Houston	117,164	6.00%	616	7,030

2015 Diocesan Assessments

<u>PARISHES</u>	<u>CITY</u>	<u>2013 OPERATING REVENUES</u>	<u>2015 BASE PERCENTAGE</u>	<u>2015 INSURANCE</u>	<u>2015 DIOCESAN</u>
St. Paul's & San Pablo	Houston	98,974	6.00%	520	6,072
Santa Maria Virgen	Houston	255,520	7.00%	1,343	17,886
St. Alban's	Houston	166,292	6.00%	874	9,978
St. Timothy's	Houston	186,051	6.00%	978	10,388
Trinity	Jacksonville	58,988	6.00%	310	3,539
Christ Church	Jefferson	53,448	6.00%	281	3,207
St. Paul's	Kilgore	80,143	6.00%	421	4,809
St. Peter's	Lago Vista	58,378	6.00%	307	3,503
St. Michael's	La Marque	125,714	6.00%	661	9,337
St. Paul's	Leigh	78,494	6.00%	412	877
St. Luke's	Lindale	52,107	6.00%	274	3,126
Holy Innocents'	Madisonville	22,815	6.00%	120	1,157
St. Mary Magdalene	Manor	159,658	6.00%	839	0
Christ Church	Matagorda	50,390	6.00%	265	2,973
Christ Church	Mexia	32,164	6.00%	169	2,052
St. Paul's	Orange	141,234	6.00%	742	7,235
St. John's	Palacios	17,490	6.00%	92	1,049
St. Peter's	Pasadena	229,046	7.00%	1,203	16,033
St. Paul's	Pflugerville	66,214	6.00%	348	3,973
St. Thomas'	Rockdale	41,096	6.00%	216	2,263
St. Joseph's	Salado	81,165	6.00%	426	4,870
Christ Church	San Augustine	54,160	6.00%	285	3,250
St. John's	Silsbee	102,926	6.00%	541	6,176
St. James'	Taylor	73,996	6.00%	389	4,440
St. John the Baptist	Tyler	28,116	6.00%	148	1,687
St. Paul's	Woodville	65,793	6.00%	346	3,751
TOTAL MISSIONS		\$ 3,991,833		\$ 20,979	\$ 232,792
GRAND TOTAL		\$ 78,791,537		\$ 545,005	\$ 6,942,951

Episcopal Diocese of Texas

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

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2013 and 2012

Independent Auditors' Report

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

We have audited the accompanying financial statements of the 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, 2013 and 2012 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, 2013 and 2012 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

May 20, 2014

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 60,086	\$ 267,067
Assessments and other receivables:		
Diocesan operating entities	160,883	54,461
Parishes and missions	357,903	364,351
Other	126,127	40,955
Prepaid expenses	111,162	82,148
Investments <i>(Note 2)</i>		371,262
Notes receivable from parishes and missions	62,482	69,151
Property, net <i>(Note 3)</i>	<u>293,273</u>	<u>407,124</u>
TOTAL ASSETS	<u>\$ 1,171,916</u>	<u>\$ 1,656,519</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 203,662	\$ 167,083
Funds held for parishes and missions	88,861	30,317
Grants payable	101,619	111,800
Deferred revenue	39,017	6,600
Notes payable <i>(Note 4)</i>	<u>369,859</u>	<u>42,157</u>
Total liabilities	<u>803,018</u>	<u>357,957</u>
Net assets:		
Unrestricted	301,536	1,207,306
Temporarily restricted <i>(Note 5)</i>	<u>67,362</u>	<u>91,256</u>
Total net assets	<u>368,898</u>	<u>1,298,562</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,171,916</u>	<u>\$ 1,656,519</u>

See accompanying notes to financial statements.

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

Statement of Activities for the year ended December 31, 2013

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Diocesan assessments of parishes and missions	\$ 8,712,848		\$ 8,712,848
Missionary commitments from parishes and missions	2,008,389		2,008,389
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the Diocese of Texas	473,000		473,000
The Bishop Quin Foundation	440,000		440,000
Episcopal Foundation of Texas	260,000		260,000
Episcopal Health Foundation	136,296		136,296
Contributions	4,209	\$ 308,521	312,730
Program fees	299,759		299,759
Investment return (<i>Note 2</i>)	<u>41,300</u>		<u>41,300</u>
Total revenue	12,375,801	308,521	12,684,322
Net assets released from restrictions:			
Program expenditures	<u>332,415</u>	<u>(332,415)</u>	
Total	<u>12,708,216</u>	<u>(23,894)</u>	<u>12,684,322</u>
EXPENSES:			
Health, property, and general liability insurance	4,883,815		4,883,815
Diocesan clergy and lay salaries and related benefits	3,315,443		3,315,443
Missionary activities	2,241,480		2,241,480
Canonical and administrative	919,989		919,989
Diocesan center operations	677,994		677,994
Commissions and committees	635,720		635,720
Travel, business, and continuing education	414,248		414,248
Special Diocesan projects	<u>127,081</u>		<u>127,081</u>
Total expenses (<i>Note 7</i>)	<u>13,215,770</u>		<u>13,215,770</u>
OTHER CHANGES:			
Transfer to Great Commission Foundation	<u>(398,216)</u>		<u>(398,216)</u>
CHANGES IN NET ASSETS	(905,770)	(23,894)	(929,664)
Net assets, beginning of year	<u>1,207,306</u>	<u>91,256</u>	<u>1,298,562</u>
Net assets, end of year	<u>\$ 301,536</u>	<u>\$ 67,362</u>	<u>\$ 368,898</u>

See accompanying notes to financial statements.

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

Statement of Activities for the year ended December 31, 2012

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Diocesan assessments of parishes and missions	\$ 8,650,019		\$ 8,650,019
Missionary commitments from parishes and missions	2,102,093		2,102,093
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the Diocese of Texas	454,250		454,250
The Bishop Quin Foundation	395,000		395,000
Episcopal Foundation of Texas	255,000		255,000
Contributions	29,663	\$ 296,057	325,720
Program fees	259,840		259,840
Investment return <i>(Note 2)</i>	<u>29,472</u>		<u>29,472</u>
Total revenue	12,175,337	296,057	12,471,394
Net assets released from restrictions:			
Program expenditures	<u>329,261</u>	<u>(329,261)</u>	
Total	<u>12,504,598</u>	<u>(33,204)</u>	<u>12,471,394</u>
EXPENSES:			
Health, property, and general liability insurance	4,651,171		4,651,171
Diocesan clergy and lay salaries and related benefits	3,019,569		3,019,569
Missionary activities	2,287,619		2,287,619
Canonical and administrative	808,141		808,141
Diocesan center operations	705,936		705,936
Commissions and committees	460,090		460,090
Travel, business, and continuing education	384,918		384,918
Special Diocesan projects	<u>189,238</u>		<u>189,238</u>
Total expenses <i>(Note 7)</i>	<u>12,506,682</u>		<u>12,506,682</u>
CHANGES IN NET ASSETS	(2,084)	(33,204)	(35,288)
Net assets, beginning of year	<u>1,209,390</u>	<u>124,460</u>	<u>1,333,850</u>
Net assets, end of year	<u>\$ 1,207,306</u>	<u>\$ 91,256</u>	<u>\$ 1,298,562</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (929,664)	\$ (35,288)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	143,939	133,079
Net realized and unrealized gain on investments	(34,550)	(26,695)
Changes in operating assets and liabilities:		
Assessments and other receivables	(185,146)	(56,867)
Prepaid expenses	(29,014)	(19,238)
Accounts payable and accrued expenses	36,579	25,344
Funds held for parishes and missions	58,544	(105,274)
Grants payable	(10,181)	(99,200)
Deferred revenue	<u>32,417</u>	<u>(3,024)</u>
Net cash used by operating activities	<u>(917,076)</u>	<u>(187,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(6,804)	(79,431)
Sales of investments	412,616	78,528
Purchases of property	(30,088)	(272,389)
Repayments of notes receivable from parishes and missions	6,669	3,349
Advances for notes receivable from parishes and missions	<u> </u>	<u>(22,500)</u>
Net cash provided (used) by investing activities	<u>382,393</u>	<u>(292,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on notes payable	650,000	
Payments on notes payable	<u>(322,298)</u>	<u>(18,137)</u>
Net cash provided (used) by financing activities	<u>327,702</u>	<u>(18,137)</u>
NET CHANGE IN CASH	(206,981)	(497,743)
Cash, beginning of year	<u>267,067</u>	<u>764,810</u>
Cash, end of year	<u>\$ 60,086</u>	<u>\$ 267,067</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid on notes payable	\$2,398	\$2,516

See accompanying notes to financial statements.

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

Notes to Financial Statements for the years ended December 31, 2013 and 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Episcopal Diocese of Texas (EDOT) is an operating unit of Diocesan accounts (Missionary Budget Account and Diocesan Budget Account) of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). EDOT was organized in 1836 in the State of Texas, and is a constituent of the Protestant Episcopal Church of the United States of America. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Episcopal Diocese of Texas and a standing committee. EDOT is supported primarily through assessments and missionary commitments of parishes and missions within the Diocese. EDOT functions in coordination with the operations of the Protestant Episcopal Church Council in the Diocese of Texas, which guarantees its outstanding liabilities and provides Diocesan operating facilities and other support.

Related entities – The Executive Board (the Board) of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Episcopal Diocese of Texas. The Board is responsible for the governance of EDOT and pursuant to various Canons, the Board has certain oversight responsibilities relating to the affairs of the following related Diocesan operating entities:

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *The Bishop Quin Foundation (BQ)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of BQ include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *Episcopal Health Foundation (EHF)* was created in 2013 with the 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 will be to support health initiatives within the 57 counties that are included in the territory of the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to assist the Diocese in spreading the gospel throughout the Diocese primarily through church planting.
- *EDOT Financial Services Corporation* is a Texas nonprofit organization created as an operating unit of the Diocese to provide accounting, financial, administrative and investment management services support.

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.

Investments are reported at fair value. Investment return includes interest, dividends, and realized and unrealized gains and losses. 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.

Allowances for uncollectible accounts and notes receivable 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.

Notes receivable are reported at the principal balance outstanding. At December 31, 2013, the loans provided to parishes and missions at rates of 4% to 6% are expected to be repaid over a period of 3 years.

Property is reported at cost if purchased and at fair value at the date of gift if donated. EDOT provides for depreciation using the straight-line method based upon estimated useful lives of 3 to 15 years.

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

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Diocesan assessments of parishes and missions – In order to provide funds for its operation, the Diocese levies assessments on its parishes and missions based on size and certain other factors. Revenue from these assessments is recognized in the period in which the assessments are levied.

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

Program fees are recognized as revenue when the services are provided. Fees paid in advance are reported as deferred revenue.

Grants made are recognized as an expense at fair value when EDOT approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Commitments made but not yet funded are reported as grants payable. Grants payable in more than one year are reported at the present value of their future cash out flows using a risk-free rate-of-return. All grants payable at December 31, 2013 are payable within one year.

Donated materials, use of facilities and services are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses – During the years ended December 31, 2013 and 2012, management estimates that approximately 68% of expenses were attributable to program services and 32% were attributable to management and general activities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets

and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by 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, 2012 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Interest in pooled fund of Church Corporation	\$ <u>0</u>	\$ <u>371,262</u>	\$ <u>0</u>	\$ <u>371,262</u>

Interest in pooled fund of Church Corporation was valued at the net asset value provided by Church Corporation based upon the underlying securities of the investment pool at the reporting date. EDOT’s value in the pooled fund was calculated based upon the proportional value of EDOT’s ownership position applied to the total net asset value of the pooled fund. During 2013, EDOT liquidated its interest and transferred the proceeds to the GCF.

Investment return consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 6,750	\$ 2,777
Net realized and unrealized gain	<u>34,550</u>	<u>26,695</u>
Total investment return	<u>\$ 41,300</u>	<u>\$ 29,472</u>

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2013</u>	<u>2012</u>
Office equipment and vehicles, at cost	\$ 667,626	\$ 792,729
Accumulated depreciation	<u>(374,353)</u>	<u>(385,605)</u>
Property, net	<u>\$ 293,273</u>	<u>\$ 407,124</u>

NOTE 4 – NOTES PAYABLE

EDOT has entered into notes payable agreements which total \$19,859 and \$42,157 at December 31, 2013 and 2012, respectively, to various financial institutions for the purchase of vehicles. The notes are secured by vehicles having a net value of \$38,900 at December 31, 2013. Interest and principal payments are due monthly at interest rates ranging from 2% to 3%.

EDOT has a \$1,000,000 line of credit with a bank with an interest rate of prime less 0.75%, with a 2.8% floor (interest rate of 2.8% at December 31, 2013), expiring in October 2015. The line of credit is guaranteed by Church Corporation. At December 31, 2013, there was a \$350,000 outstanding balance. At December 31, 2012, there was no outstanding balance under this line of credit.

Principal payments at December 31, 2013 are due to be repaid as follows:

2014	\$ 12,131
2015	<u>357,728</u>
Total notes payable	<u>\$ 369,859</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Scholarships and missions	\$ 49,090	\$ 63,024
Bastrop fire relief	<u>18,272</u>	<u>28,232</u>
Total temporarily restricted net assets	<u>\$ 67,362</u>	<u>\$ 91,256</u>

NOTE 6 – RETIREMENT PLANS

Clergy Plan

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

The Clergy Pension Plan (the Clergy Plan) is a defined benefit plan providing retirement, death and disability benefits to eligible clergy of the Episcopal Church. The Clergy Plan (the Plan) is exempt from the federal income taxes and, as church plans are exempt from the Employee Retirement Income Security Act of 1974, the Plan is not subject to Pension Benefit Guaranty Corporation requirements.

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

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

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

EDOT recognizes its assessments in the period that the related services are provided by the clergy. During 2013 and 2012, EDOT recognized assessments to the Plan totaling approximately \$436,000 and \$349,000, respectively.

The funding positions of the Plan as of March 31, 2013 and 2012 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>2013</u>	<u>2012</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 7,594,930,000	\$ 6,741,884,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>6,019,440,000</u>	<u>6,144,918,000</u>
Surplus	<u>\$ 1,575,490,000</u>	<u>\$ 596,966,000</u>

Non-clergy employees

EDOT sponsors a defined contribution benefit plan for non-clergy employees which is qualified under §403(b) of the Internal Revenue Code. EDOT makes contributions based on employees' annual compensation. EDOT contributed approximately \$168,000 and \$151,000 to this plan in 2013 and 2012, respectively.

NOTE 7 – RELATED ENTITY TRANSACTIONS

EDOT provides support to parishes, schools, missions, and other Diocesan entities. During 2013 and 2012, EDOT expended approximately \$698,000 and \$1,024,000 to parishes, schools, and missions, respectively. EDOT provides insurance benefits to clergy throughout the Diocese. The benefits for clergy provided to parishes, schools, missions and other Diocesan entities totaled approximately \$4,700,000 and \$4,500,000 in 2013 and 2012, respectively. Additionally, EDOT uses Camp Allen Camp and Conference Center (Camp Allen) facilities for meetings and conferences and recognized expenses for use of approximately \$353,000 and \$343,000 to Camp Allen during 2013 and 2012, respectively. In 2013, the Diocese provided \$55,000 in support to Camp Allen. These amounts are included in expenses in these financial statements.

NOTE 8 – LEASE COMMITMENTS

EDOT leases office space and office equipment under operating leases. The office space is leased from EFT for the Austin Diocesan offices through May 31, 2029, at a rate of approximately \$60,000 per year.

Future minimum lease payments, including the payments for the office space as of December 31, 2013, are as follows:

2014	\$ 89,449
2015	64,587
2016	59,616
2017	59,616
2018	59,616
2019 through 2029	<u>621,199</u>
Total minimum lease payments	<u>\$ 954,083</u>

Rental expense for 2013 and 2012 was \$118,000 and \$117,000, respectively.

NOTE 9 – SUBSEQUENT EVENTS

Effective January 1, 2014, EDOT Financial Services Corporation (FSC), a Texas nonprofit corporation and an operating unit of the Diocese, began operations which include accounting, financial, administrative and investment management services support. Certain finance and accounting functions previously provided by EDOT will be preceded by FSC beginning January 1, 2014.

Management has evaluated subsequent events through May 20, 2014, 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.

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, 2013 and 2012

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, 2013 and 2012 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

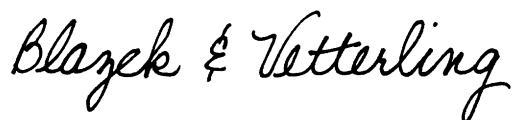
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2013 and 2012 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 20, 2014

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

Statements of Financial Position as of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents <i>(Notes 2 and 4)</i>	\$ 2,941,139	\$ 1,905,905
Notes receivable: <i>(Note 3)</i>		
Diocesan operating entities	2,194,186	2,712,305
Related entities, net	870,353	906,485
Land held for sale <i>(Note 4)</i>		525,000
Receivables from Diocesan operating entities	250,000	275,000
Investments <i>(Note 4)</i>	29,989,793	27,646,402
Land	<u>574,230</u>	<u>574,230</u>
TOTAL ASSETS	<u>\$ 36,819,701</u>	<u>\$ 34,545,327</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,291	\$ 25,045
Grants payable to related entities <i>(Note 6)</i>	392,500	250,000
Notes payable <i>(Note 7)</i>	<u>1,908,075</u>	<u>1,973,882</u>
Total liabilities	<u>2,316,866</u>	<u>2,248,927</u>
Unrestricted board-designated net assets:		
Revolving fund	3,471,561	3,769,233
Permanent fund	<u>31,031,274</u>	<u>28,527,167</u>
Total unrestricted net assets	<u>34,502,835</u>	<u>32,296,400</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,819,701</u>	<u>\$ 34,545,327</u>

See accompanying notes to financial statements.

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

Statements of Activities for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUE:		
Investment return <i>(Note 5)</i>	\$ 3,741,933	\$ 4,526,586
Support from Episcopal Foundation of Texas	309,469	279,193
Interest on notes receivable from Diocesan and related entities	112,472	85,579
Net gain in value of land held for sale	<u> </u>	<u>52,764</u>
Total revenue	<u>4,163,874</u>	<u>4,944,122</u>
EXPENSES:		
Grants to related entities	1,387,785	1,017,741
Supporting services:		
Diocesan operating entities – administrative services	190,000	190,675
Investment management fees	150,223	156,506
Mineral interest and production expenses	119,361	120,623
Other management and general	<u>110,070</u>	<u>80,385</u>
Total expenses	<u>1,957,439</u>	<u>1,565,930</u>
CHANGES IN UNRESTRICTED NET ASSETS	2,206,435	3,378,192
Unrestricted net assets, beginning of year	<u>32,296,400</u>	<u>28,918,208</u>
Unrestricted net assets, end of year	<u>\$ 34,502,835</u>	<u>\$ 32,296,400</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 2,206,435	\$ 3,378,192
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(1,867,114)	(2,336,216)
Net gain in value of land held for sale		(52,764)
Provision for loan losses		(128,000)
Changes in operating assets and liabilities:		
Receivables from Diocesan operating entities	25,000	25,013
Accounts payable and accrued expenses	(8,754)	(8,140)
Grants payable to related entities	<u>142,500</u>	<u>(335,000)</u>
Net cash provided by operating activities	<u>498,067</u>	<u>543,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	4,487,670	8,826,500
Purchases of investments	(4,971,997)	(7,279,019)
Proceeds from land sold	525,000	
Purchase of land held for sale		(472,236)
Change in money market mutual funds held as investments	8,050	17,823
Payments received on notes receivable	582,109	209,157
Advances made on notes receivable	<u>(27,858)</u>	<u>(2,934,088)</u>
Net cash provided (used) by investing activities	<u>602,974</u>	<u>(1,631,863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable		2,000,000
Payments made on notes payable	<u>(65,807)</u>	<u>(313,200)</u>
Net cash provided (used) by financing activities	<u>(65,807)</u>	<u>1,686,800</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,035,234	598,022
Cash and cash equivalents, beginning of year	<u>1,905,905</u>	<u>1,307,883</u>
Cash and cash equivalents, end of year	<u>\$ 2,941,139</u>	<u>\$ 1,905,905</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid on notes payable	\$51,501	\$56,522

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, 2013 and 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish and mission assessments and missionary commitments.
- *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.
- *Episcopal Health Foundation (EHF)* was created in 2013 with the 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 will be to support health initiatives within the 57 counties that are included in the territory of the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to assist the Diocese in spreading the gospel throughout the Diocese primarily through church planting.
- *EDOT Financial Services Corporation* is a Texas nonprofit organization created as an operating unit of the Diocese to provide accounting, financial, administrative and investment management services support.

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 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 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, 2013, 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. Investment return includes interest, dividends, and realized and unrealized gains and losses and mineral interest royalties. 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 2½% 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2013</u>	<u>2012</u>
Bank deposits	\$ 2,250,868	\$ 1,679,842
Money market mutual funds	<u>690,271</u>	<u>226,063</u>
Total cash and cash equivalents	<u>\$ 2,941,139</u>	<u>\$ 1,905,905</u>

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

NOTE 3 – NOTES RECEIVABLE

Diocesan operating entities

In 2012, the Foundation entered into three note agreements with Church Corporation totaling approximately \$2,400,000 at a varying interest rate of 2.5% to 4.5%. Under the terms of these agreements, principal and interest are to be repaid through 2017. Additionally, the Foundation entered into a note agreement held by Church Corporation totaling \$250,000 at an interest rate of 6% secured by liens against property that will not be repaid until the related property is sold. Notes receivable include principal plus accrued interest.

Related entities

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

Notes receivable from related entities consist of the following:

	<u>2013</u>	<u>2012</u>
Notes secured by real and other property	\$ 655,054	\$ 693,714
Unsecured notes receivable	<u>380,849</u>	<u>378,321</u>
Total notes receivable from related entities	1,035,903	1,072,035
Allowance for loan losses	<u>(165,550)</u>	<u>(165,550)</u>
Notes receivable from related entities, net	<u>\$ 870,353</u>	<u>\$ 906,485</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.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by 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, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic bond mutual funds:				
Inflation protected	\$ 4,330,072			\$ 4,330,072
Intermediate term	4,085,530			4,085,530
High yield	1,485,432			1,485,432
Domestic equity mutual funds:				
Large-cap index	2,668,301			2,668,301
Large-cap growth	1,374,944			1,374,944
Large-cap value	1,368,732			1,368,732
Small-cap value	1,119,267			1,119,267
Small-cap growth	1,095,036			1,095,036
International equity mutual funds:				
Emerging markets	2,037,919			2,037,919
Large-cap core	1,866,463			1,866,463
Large-cap value	1,860,873			1,860,873
Commodity mutual fund	1,980,240			1,980,240
International bond mutual funds	1,766,020			1,766,020
Master limited partnership mutual fund	1,528,669			1,528,669
Real estate mutual funds	1,417,373			1,417,373
Money market mutual funds	<u>4,922</u>			<u>4,922</u>
Total investments	29,989,793			29,989,793
Money market mutual funds held as cash equivalents	<u>690,271</u>			<u>690,271</u>
Total assets measured at fair value	<u>\$ 30,680,064</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,680,064</u>

Assets measured at fair value at December 31, 2012 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic bond mutual funds:				
Inflation protected	\$ 4,129,743			\$ 4,129,743
Intermediate term	3,858,189			3,858,189
High yield	1,384,859			1,384,859
Domestic equity mutual funds:				
Large-cap index	2,364,781			2,364,781
Large-cap growth	1,174,794			1,174,794
Large-cap value	1,166,061			1,166,061
Small-cap value	974,170			974,170
Small-cap growth	982,117			982,117
International equity mutual funds:				
Emerging markets	1,954,861			1,954,861
Large-cap core	1,672,872			1,672,872
Large-cap value	1,672,072			1,672,072
Commodity mutual fund	1,879,638			1,879,638
International bond mutual funds	1,656,397			1,656,397
Master limited partnership mutual fund	1,364,067			1,364,067
Real estate mutual funds	1,398,809			1,398,809
Money market mutual funds	<u>12,972</u>			<u>12,972</u>
Total investments	27,646,402			27,646,402
Money market mutual funds held as cash equivalents	226,063			226,063
Land held for sale		<u>\$ 525,000</u>		<u>525,000</u>
Total assets measured at fair value	<u>\$ 27,872,465</u>	<u>\$ 525,000</u>	<u>\$ 0</u>	<u>\$ 28,397,465</u>

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

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Land held for sale* was valued based on appraisal 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 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.

NOTE 5 – INVESTMENT RETURN

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

	<u>2013</u>	<u>2012</u>
Interest, dividends and capital gain distributions	\$ 849,387	\$ 1,174,749
Net realized and unrealized gain	1,867,114	2,336,216
Royalty income	<u>1,025,432</u>	<u>1,015,621</u>
Total investment return	<u>\$ 3,741,933</u>	<u>\$ 4,526,586</u>

NOTE 6 – GRANTS PAYABLE TO RELATED ENTITIES

At December 31, 2013, grants payable are expected to be paid as follows:

2014	\$ 237,500
2015	102,500
2016	<u>52,500</u>
Total	<u>\$ 392,500</u>

The Foundation has made approximately \$550,000 in grants to related entities that are conditional and have not been recognized as grants payable at December 31, 2013.

NOTE 7 – NOTES PAYABLE

In 2011, the Foundation entered into an unsecured promissory note with the seller to finance the outstanding balance of the purchase of certain real property. The note bears interest at 4% and is payable at \$6,130 per month through 2016. Note payable balance was \$158,075 and \$223,882 at December 31, 2013 and 2012, respectively.

In 2012, the Foundation entered into a \$2,000,000 loan agreement with EFT. The note bears interest at rates of 2.5% to 3.5% and is payable in annual installments of \$250,000 with final payment due in 2017. Note payable balance was \$1,750,000 at December 31, 2013 and 2012.

Principal repayments for notes payable at December 31, 2013 are due as follows:

2014	\$ 318,488
2015	321,279
2016	268,308
2017	<u>1,000,000</u>
Total notes payable	<u>\$ 1,908,075</u>

Interest expense totaled \$51,501 in 2013 and \$56,522 in 2012.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent to year end, the Foundation entered into a note payable with EFT totaling \$3 million to be repaid over 3 years at an interest rate of 2.5%. In conjunction with this note payable, the Foundation entered into a \$3 million note receivable agreement with a parish under the same terms. The note receivable is guaranteed by Church Corporation. Additionally, Bishop Quin repaid outstanding debt to EFT totaling \$1,500,000.

Management has evaluated subsequent events through May 20, 2014, 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.

**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, 2013 and 2012

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, 2013 and 2012 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.

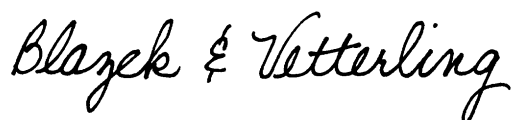
Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain 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, 2013 and 2012 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.



August 29, 2014

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 365,609	\$ 684,131
Notes receivable: <i>(Note 2)</i>		
Clergy, net of allowance of \$34,320 in 2012	747,334	715,002
Parishes and schools, net of allowance of \$17,016 and \$22,486 in 2013 and 2012	2,601,412	3,159,574
Other, net of allowance of \$248,933 and \$231,425 in 2013 and 2012	417,771	446,633
Land and buildings held for sale <i>(Note 3)</i>	824,000	1,830,934
Other assets	159,723	179,871
Beneficial interest in a trust <i>(Note 3)</i>	3,278,685	2,910,961
Investments <i>(Note 3)</i>	27,058,793	24,837,973
Property, net <i>(Note 4)</i>	<u>9,674,165</u>	<u>8,909,331</u>
TOTAL ASSETS	<u>\$ 45,127,492</u>	<u>\$ 43,674,410</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 49,845	\$ 47,215
Notes payable – line of credit <i>(Note 5)</i>	4,934,536	4,674,536
Grants payable to parishes and schools, net	327,929	518,929
Due to Diocesan operating entities	261,225	345,934
Funds held for related entities	10,745,621	9,894,750
Notes payable <i>(Note 5)</i>	<u>3,523,723</u>	<u>4,054,521</u>
Total liabilities	<u>19,842,879</u>	<u>19,535,885</u>
Commitments and contingencies <i>(Note 6)</i>		
Net assets <i>(Note 10)</i> :		
Unrestricted <i>(Note 7)</i>	10,330,065	10,513,364
Temporarily restricted <i>(Note 8)</i>	12,273,002	11,182,959
Permanently restricted <i>(Note 9)</i>	<u>2,681,546</u>	<u>2,442,202</u>
Total net assets	<u>25,284,613</u>	<u>24,138,525</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 45,127,492</u>	<u>\$ 43,674,410</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, 2013

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 1,134	\$ 103,572		\$ 104,706
Change in value of beneficial interest in a trust		367,724		367,724
Investment return, net <i>(Note 3)</i>	530,369	1,094,691	\$ 239,344	1,864,404
Interest on notes receivable	157,719			157,719
Loss on sale of property held for sale	(85,012)			(85,012)
Gain on valuation of property held for sale	115,787			115,787
Other	<u>182,100</u>			<u>182,100</u>
Total revenue	902,097	1,565,987	239,344	2,707,428
Net assets released from restrictions for program purposes:				
Participating Funds	<u>475,944</u>	<u>(475,944)</u>		
Total	<u>1,378,041</u>	<u>1,090,043</u>	<u>239,344</u>	<u>2,707,428</u>
EXPENSES:				
Program services:				
Grants to related entities	459,785			459,785
Property costs for related entities	<u>415,914</u>			<u>415,914</u>
Total program services	875,699			875,699
Supporting services:				
Management and general	609,699			609,699
Investment management and custodial fees	<u>75,942</u>			<u>75,942</u>
Total expenses	<u>1,561,340</u>			<u>1,561,340</u>
CHANGES IN NET ASSETS	(183,299)	1,090,043	239,344	1,146,088
Net assets, beginning of year	<u>10,513,364</u>	<u>11,182,959</u>	<u>2,442,202</u>	<u>24,138,525</u>
Net assets, end of year	<u>\$ 10,330,065</u>	<u>\$ 12,273,002</u>	<u>\$ 2,681,546</u>	<u>\$ 25,284,613</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, 2012

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 29,286	\$ 40,266		\$ 69,552
Change in value of beneficial interest in a trust		136,050		136,050
Investment return, net <i>(Note 3)</i>	440,774	933,382	\$ 180,940	1,555,096
Interest on notes receivable	149,231			149,231
Other	<u>71,168</u>			<u>71,168</u>
Total revenue	690,459	1,109,698	180,940	1,981,097
Net assets released from restrictions for program purposes:				
Participating Funds	<u>392,236</u>	<u>(392,236)</u>		
Total	<u>1,082,695</u>	<u>717,462</u>	<u>180,940</u>	<u>1,981,097</u>
EXPENSES:				
Program services:				
Grants to related entities	727,762			727,762
Property costs for related entities	<u>382,797</u>			<u>382,797</u>
Total program services	1,110,559			1,110,559
Supporting services:				
Management and general	629,175			629,175
Investment management and custodial fees	<u>67,246</u>			<u>67,246</u>
Total expenses	<u>1,806,980</u>			<u>1,806,980</u>
CHANGES IN NET ASSETS	(724,285)	717,462	180,940	174,117
Net assets, beginning of year	<u>11,237,649</u>	<u>10,465,497</u>	<u>2,261,262</u>	<u>23,964,408</u>
Net assets, end of year	<u>\$ 10,513,364</u>	<u>\$ 11,182,959</u>	<u>\$ 2,442,202</u>	<u>\$ 24,138,525</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,146,088	\$ 174,117
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	100,023	100,023
Gain on valuation of property held for sale	(115,787)	
Loss on sale of property held for sale	85,012	
Allowance for uncollectible receivables	(22,282)	211,425
Change in value of beneficial interest in a trust	(367,724)	(136,050)
Net realized and unrealized gain on investments	(2,468,401)	(1,804,471)
Changes in operating assets and liabilities:		
Other assets	20,148	206,807
Accounts payable and accrued expenses	2,630	1,209
Grants payable to parishes and schools	(191,000)	(41,000)
Due to Diocesan operating entities	(84,709)	39,749
Funds held for related entities	<u>850,871</u>	<u>1,267,388</u>
Net cash provided (used) by operating activities	<u>(1,045,131)</u>	<u>19,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	719,046	545,281
Advances on notes receivable	(142,072)	(2,322,930)
Proceeds from sales of investments	15,664,796	6,368,633
Purchases of investments	(15,399,595)	(6,732,807)
Net change in money market mutual funds held as investments	(17,620)	(126,089)
Purchases of property		(384,403)
Proceeds from sale of property held for sale	<u>172,852</u>	<u> </u>
Net cash provided (used) by investing activities	<u>997,407</u>	<u>(2,652,315)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	526,440	3,636,149
Payments on notes payable	<u>(797,238)</u>	<u>(574,014)</u>
Net cash provided (used) by financing activities	<u>(270,798)</u>	<u>3,062,135</u>
NET CHANGE IN CASH	(318,522)	429,017
Cash, beginning of year	<u>684,131</u>	<u>255,114</u>
Cash, end of year	<u>\$ 365,609</u>	<u>\$ 684,131</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$204,042	\$189,341

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, 2013 and 2012

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 and mission assessments and missionary commitments.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated entities of the Diocese.
- *Episcopal Health Foundation (EHF)* was created in 2013 with the 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 will be to support health initiatives within the 57 counties that are included in the territory of the Diocese.
- *Great Commission Foundation (GCF)* was created in 2013 to assist the Diocese in spreading the gospel throughout the Diocese primarily through church planting.
- *EDOT Financial Services Corporation* is a Texas nonprofit organization created as an operating unit of the Diocese to provide accounting, financial, administrative and investment management services support.

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, 2013, one note from a third party and one note from a parish have been deemed impaired and have been fully allowed.

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

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

Investments in marketable securities are reported at fair value. Mineral rights are reported at the lower of cost or fair value. Purchases and sales of investments are reported on a trade-date basis. Interest and dividends are recognized as earned. Investment return includes interest, dividends, net realized and unrealized gains and losses and mineral interest royalties. 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 and Bishop Quin. These financial statements include only property used for the Diocesan Center, future parishes, schools, college ministries, and housing for bishops and clergy of the Diocese. Land held for future parishes is transferred to that parish when the congregation accepts the responsibility for construction of a new church on the property. 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.

Donated materials, use of facilities, and services – Donated materials and use of facilities 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.

Grants approved are recognized as expense when Church Corporation 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 flows. All grants payable at December 31, 2013 are payable within one year.

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

NOTE 2 – NOTES RECEIVABLE

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

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

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by 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, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic equity securities:				
Large-cap	\$ 3,757,385			\$ 3,757,385
Mid-cap	2,986,765			2,986,765
Small-cap	1,960,657			1,960,657
Preferred shares	1,182,529			1,182,529
Other	111,151			111,151
International equity securities	6,563,079			6,563,079
Alternative investments:				
Directional long/short hedge fund (a)			\$ 3,331,570	3,331,570
Managed futures fund (b)			634,254	634,254
Absolute return hedge fund (c)			1,943,567	1,943,567
Fixed-income mutual funds	1,373,756			1,373,756
U. S. Treasury securities		\$ 1,133,327		1,133,327
Money market mutual funds	1,031,223			1,031,223
Corporate bonds and notes		576,027		576,027
Mortgage-backed securities		<u>473,503</u>		<u>473,503</u>
Total investments	18,966,545	2,182,857	5,909,391	27,058,793
Beneficial interest in a trust			3,278,685	3,278,685
Land and buildings held for sale		<u>824,000</u>		<u>824,000</u>
Total assets measured at fair value	<u>\$ 18,966,545</u>	<u>\$ 3,006,857</u>	<u>\$ 9,188,076</u>	<u>\$ 31,161,478</u>

Assets measured at fair value at December 31, 2012 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic equity securities:				
Large-cap	\$ 1,315,015			\$ 1,315,015
Mid-cap	1,248,803			1,248,803
Small-cap	1,499,358			1,499,358
Preferred shares	1,992,726			1,992,726
Other	36,331			36,331
International equity securities	4,834,743			4,834,743
Alternative investments:				
Directional long/short hedge fund (a)			\$ 2,233,604	2,233,604
Managed futures fund (b)			1,235,770	1,235,770
Absolute return hedge fund (c)			1,205,023	1,205,023
Fixed-income mutual funds	1,556,270			1,556,270
U. S. Treasury securities		\$ 1,215,008		1,215,008
Money market mutual funds	1,013,603			1,013,603
Corporate bonds and notes		4,348,408		4,348,408
Mortgage-backed securities		<u>1,103,311</u>		<u>1,103,311</u>
Total investments	13,496,849	6,666,727	4,674,397	24,837,973
Beneficial interest in a trust			2,910,961	2,910,961
Land and buildings held for sale		<u>1,830,934</u>		<u>1,830,934</u>
Total assets measured at fair value	<u>\$ 13,496,849</u>	<u>\$ 8,497,661</u>	<u>\$ 7,585,358</u>	<u>\$ 29,579,868</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, 2013.
- (b) 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, 2013.
- (c) 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, 2013.

Church Corporation is invested in certain partnerships and corporations which qualify as alternative investments. The various alternative categories include domestic, international, and opportunistic equity securities, real estate, natural resources, private equity, fixed-income and enhanced fixed-income securities, and cash and may involve contractual commitments involving forward settlements including future contracts, forward foreign currency contracts, short sales of securities, swap contracts, and the writing of option contracts. These investments are domestic and international in nature, may be illiquid or have limited periods available for redemption, and may not be realized for a period of several years after the investments have been made.

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

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

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

Changes in Level 3 assets measured at fair value during the years ended December 31, 2013 and 2012 are as follows:

Balance at December 31, 2011	\$ 7,900,596
Sales during year ended December 31, 2012	(565,498)
Change in value of beneficial interest in a trust	136,050
Unrealized gains on alternative investments held at December 31, 2012	<u>114,210</u>
Balance at December 31, 2012	7,585,358
Sales during year ended December 31, 2013	(578,204)
Purchases during year ended December 31, 2013	1,230,212
Change in value of beneficial interest in a trust	367,724
Unrealized gains on alternative investments held at December 31, 2013	<u>582,986</u>
Balance at December 31, 2013	<u>\$ 9,188,076</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 relating to assets still held as of December 31, 2013 and 2012 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>2013</u>	<u>2012</u>
Interest and dividends	\$ 647,857	\$ 746,798
Net realized and unrealized gain	<u>2,468,401</u>	<u>1,804,471</u>
Total investment return	3,116,258	2,551,269
Less: Investment return allocated to funds held for related entities	<u>(1,251,854)</u>	<u>(996,173)</u>
Investment return, net	<u>\$ 1,864,404</u>	<u>\$ 1,555,096</u>

Investment related fees of approximately \$106,000 in 2013 and \$91,000 in 2012 are netted against investment return in the statement of activities.

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2013</u>	<u>2012</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>(1,002,757)</u>	<u>(902,734)</u>
Net depreciable assets	2,927,983	3,028,006
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	648,535
Land and buildings – Diocesan clergy housing	<u>2,793,607</u>	<u>2,811,320</u>
Property, net	<u>\$ 9,674,165</u>	<u>\$ 8,909,331</u>

NOTE 5 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2013</u>	<u>2012</u>
Bank line of credit of \$7,000,000 with interest rate of prime less 1.5% (2.8% at December 31, 2013) through August 2014.	\$ 4,934,536	\$ 4,674,536
Notes payable to Bishop Quin with interest rates of 2.5% to 4.5%.	1,900,519	2,398,331
Note payable of \$1,500,000 due to a bank with an interest rate of 5.15% through August 2015, at which time the interest rate shall be of prime plus 0.5% with a floor of 5.5%.	1,353,275	1,401,540
Note payable to Bishop Quin with an interest rate of 6%, secured by certain real estate holdings.	<u>269,929</u>	<u>254,650</u>
Total notes payable	<u>\$ 8,458,259</u>	<u>\$ 8,729,057</u>

Maturities of notes payable are as follows:

2013 (includes maturity of bank line of credit)	\$ 5,435,530
2014	301,857
2015	304,592
2016	57,471
2017	961,021
Thereafter	<u>1,127,859</u>
Total	<u>\$ 8,188,330</u>

The note payable to Bishop Quin of \$269,929 is not payable until the related property is sold. The bank line of credit is due to be repaid in 2014 unless Church Corporation renews the agreement.

Interest expense for the years ended December 31, 2013 and 2012 was approximately \$274,000 and \$241,000, 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, 2013, there is a \$350,000 outstanding balance on this line of credit. Church Corporation is the guarantor on a term loan with a balance of \$1,750,000 made by EFT to Bishop Quin. Additionally, Church Corporation assists related entities such as parishes and schools in obtaining construction loans and acts as a guarantor on approximately \$5,800,000 of such loans with loan maturities through 2030.

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets are designated as follows:

	<u>2013</u>	<u>2012</u>
Participating Funds	\$ 5,160,666	\$ 4,796,203
Diocesan Properties Fund	3,686,640	4,068,078
Clergy Housing Trust	801,697	837,941
Episcopal Housing Trust	<u>681,062</u>	<u>811,142</u>
Total unrestricted net assets	<u>\$ 10,330,065</u>	<u>\$ 10,513,364</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Joan Golden Estate for support of abused children	\$ 3,975,574	\$ 3,536,824
Elise Casey Episcopal Trust for senior adult support	3,672,134	3,377,846
Ethel J. Ogden Restricted Episcopal Trust for youth education	984,260	881,802
Episcopal Endowment Fund for bishop support	585,004	550,024
Bishop Kinsolving Memorial Scholarship Fund	485,333	396,278
Valda McWhirter Estate – Scholarship for St. Alban’s, Waco	433,186	401,390
Wallace O. Breedlove Family Fund for missions	387,507	347,880
Ralph Spence Clergy Spouses Fund	348,410	327,415
Elma Robertson Estate for family support	307,185	274,209
Valda McWhirter Estate – St. Alban’s, Waco	227,889	204,585
The Reverend William David Roberts Memorial Fund for Iona School	208,561	187,234
Wimberly Legacy Fund	160,302	143,910
Kathy Wheless Memorial Scholarship Fund	152,061	139,146
St. Luke’s Chaplaincy Fund	91,805	87,884
Diocesan Scholarship Fund for nursing	72,259	64,869
Other	<u>181,532</u>	<u>261,663</u>
Total temporarily restricted net assets	<u>\$ 12,273,002</u>	<u>\$ 11,182,959</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested to support the following:

	<u>2013</u>	<u>2012</u>
Robert Maxey Episcopal Bequest benefits All Saints Chapel, Austin and St. David’s Church, Austin	\$ 2,562,254	\$ 2,333,679
Cynthia M. Hess Fund benefits St. Cyprian’s Church	<u>119,292</u>	<u>108,523</u>
Total permanently restricted net assets	<u>\$ 2,681,546</u>	<u>\$ 2,442,202</u>

NOTE 10 – ENDOWMENT FUNDS

Participating Funds of Church Corporation include approximately 35 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. 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

Endowment net asset composition as of December 31, 2013:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds		\$ 8,994,317	\$ 2,681,546	\$ 11,675,863
Board-designated endowment funds	\$ 5,160,666			5,160,666
Endowment net assets	<u>\$ 5,160,666</u>	<u>\$ 8,994,317</u>	<u>\$ 2,681,546</u>	<u>\$ 16,836,529</u>

Endowment net asset composition as of December 31, 2012:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds		\$ 8,187,167	\$ 2,442,202	\$ 10,629,369
Board-designated endowment funds	\$ 4,796,203			4,796,203
Endowment net assets	<u>\$ 4,796,203</u>	<u>\$ 8,187,167</u>	<u>\$ 2,442,202</u>	<u>\$ 15,425,572</u>

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

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2011	\$ 4,490,216	\$ 7,605,755	\$ 2,261,262	\$ 14,357,233
Contributions	<u>12,286</u>	<u>40,266</u>		<u>52,552</u>
Investment return:				
Interest and dividends	128,409	323,279		451,688
Net realized and unrealized gain	311,997	610,103	180,940	1,103,040
Investment management fees	<u>(45,053)</u>	<u>(114,576)</u>		<u>(159,629)</u>
Net investment return	<u>395,353</u>	<u>818,806</u>	<u>180,940</u>	<u>1,395,099</u>
Distributions	<u>(101,652)</u>	<u>(277,660)</u>		<u>(379,312)</u>
Endowment net assets, December 31, 2012	<u>4,796,203</u>	<u>8,187,167</u>	<u>2,442,202</u>	<u>15,425,572</u>
Contributions	<u>1,134</u>	<u>103,572</u>		<u>104,706</u>
Investment return:				
Interest and dividends	114,967	290,259		405,226
Net realized and unrealized gain	413,716	804,432	239,344	1,457,492
Investment management fees	<u>(51,538)</u>	<u>(128,909)</u>		<u>(180,447)</u>
Net investment return	<u>477,145</u>	<u>965,782</u>	<u>239,344</u>	<u>1,682,271</u>
Distributions	<u>(113,816)</u>	<u>(262,204)</u>		<u>(376,020)</u>
Endowment net assets, December 31, 2013	<u>\$ 5,160,666</u>	<u>\$ 8,994,317</u>	<u>\$ 2,681,546</u>	<u>\$ 16,836,529</u>

Return Objectives and Risk Parameters

Church Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and entities supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the

endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a portfolio that is invested 60% in the S&P 500 index and 40% in the Barclays Intermediate Bond Index while assuming a moderate level of investment risk. Church Corporation expects its endowment funds, over time, to provide an average rate-of-return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires Church Corporation to retain the fund as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2013 or 2012.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to year end, Church Corporation borrowed \$3 million at 2.5% interest for three years from Bishop Quin. The proceeds of the loan were loaned to a parish under the same terms for building repairs and renovation. Additionally, Church Corporation borrowed \$6,500,000 from GCF that is expected to be repaid with future proceeds from the sale of land and buildings. These funds were used to reduce debt on the line of credit totaling \$4,850,000, reduce debt to Bishop Quin totaling \$1,400,000 and pay grants of \$300,000.

Management has evaluated subsequent events through August 29, 2014, 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.

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, 2013

	EPISCOPAL HOUSING TRUST	CLERGY HOUSING TRUST	DIOCESAN PROPERTIES FUND	PARTICIPATING FUNDS	TOTAL
REVENUE:					
Contributions				\$ 104,706	\$ 104,706
Change in value of beneficial interest in a trust			\$ 367,724		367,724
Investment return, net	\$ 9	\$ 17	172	1,864,206	1,864,404
Interest on notes receivable	18,938	22,047	116,734		157,719
Loss on sale of property			(85,012)		(85,012)
Gain on valuation of property	(17,713)		133,500		115,787
Other			182,100		182,100
Total revenue	<u>1,234</u>	<u>22,064</u>	<u>715,218</u>	<u>1,968,912</u>	<u>2,707,428</u>
EXPENSES:					
Program services:					
Grants to related entities			83,760	376,025	459,785
Property costs for related entities	<u>101,723</u>		<u>314,191</u>		<u>415,914</u>
Total program services	101,723		397,951	376,025	875,699
Supporting services:					
Management and general	29,591	58,308	415,812	105,988	609,699
Investment management and custodial fees				<u>75,942</u>	<u>75,942</u>
Total expenses	<u>131,314</u>	<u>58,308</u>	<u>813,763</u>	<u>557,955</u>	<u>1,561,340</u>
CHANGES IN NET ASSETS	(130,080)	(36,244)	(98,545)	1,410,957	1,146,088
Net assets, beginning of year	<u>811,142</u>	<u>837,941</u>	<u>7,063,870</u>	<u>15,425,572</u>	<u>24,138,525</u>
Net assets, end of year	<u>\$ 681,062</u>	<u>\$ 801,697</u>	<u>\$ 6,965,325</u>	<u>\$ 16,836,529</u>	<u>\$ 25,284,613</u>

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, 2012

	EPISCOPAL HOUSING TRUST	CLERGY HOUSING TRUST	DIOCESAN PROPERTIES FUND	PARTICIPATING FUNDS	TOTAL
REVENUE:					
Contributions			\$ 17,000	\$ 52,552	\$ 69,552
Change in value of beneficial interest in a trust			136,050		136,050
Investment return, net	\$ 35	\$ 105	228	1,554,728	1,555,096
Interest on notes receivable	20,870	25,318	103,043		149,231
Other	<u>16,818</u>		<u>54,350</u>		<u>71,168</u>
Total revenue	<u>37,723</u>	<u>25,423</u>	<u>310,671</u>	<u>1,607,280</u>	<u>1,981,097</u>
EXPENSES:					
Program services:					
Grants to related entities			346,976	380,786	727,762
Property costs for related entities	<u>119,201</u>		<u>263,596</u>		<u>382,797</u>
Total program services	119,201		610,572	380,786	1,110,559
Supporting services:					
Management and general	20,364	52,842	465,060	90,909	629,175
Investment management and custodial fees				<u>67,246</u>	<u>67,246</u>
Total expenses	<u>139,565</u>	<u>52,842</u>	<u>1,075,632</u>	<u>538,941</u>	<u>1,806,980</u>
CHANGES IN NET ASSETS	(101,842)	(27,419)	(764,961)	1,068,339	174,117
Net assets, beginning of year	<u>912,984</u>	<u>865,360</u>	<u>7,828,831</u>	<u>14,357,233</u>	<u>23,964,408</u>
Net assets, end of year	<u>\$ 811,142</u>	<u>\$ 837,941</u>	<u>\$ 7,063,870</u>	<u>\$ 15,425,572</u>	<u>\$ 24,138,525</u>

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, 2013 and 2012

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, 2013 and 2012 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, 2013 and 2012 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 13 through 16 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

May 20, 2014

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

Statements of Financial Position as of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash equivalents <i>(Note 3)</i>	\$ 838,803	\$ 3,504,561
Investment income receivable	875,261	448,961
Note receivable from Bishop Quin Foundation <i>(Note 2)</i>	1,750,000	1,750,000
Investments <i>(Note 3)</i>	54,428,479	43,763,130
Leasehold improvements, net <i>(Note 5)</i>	<u>981,654</u>	<u>1,058,014</u>
TOTAL ASSETS	<u>\$ 58,874,197</u>	<u>\$ 50,524,666</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 19,413	\$ 13,754
Grants payable to related entities <i>(Note 6)</i>	<u>456,554</u>	<u>404,554</u>
Total liabilities	<u>475,967</u>	<u>418,308</u>
Unrestricted net assets:		
Coffield income fund	1,739,685	730,713
Coffield principal fund	56,350,935	49,089,196
Memorial fund	<u>307,610</u>	<u>286,449</u>
Total unrestricted net assets	<u>58,398,230</u>	<u>50,106,358</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 58,874,197</u>	<u>\$ 50,524,666</u>

See accompanying notes to financial statements.

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

Statements of Activities for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUE:		
Investment return <i>(Note 4)</i>	\$ 10,977,178	\$ 6,671,176
Contributions		141,860
Interest on note receivable from Bishop Quin Foundation	43,750	46,255
Rent income <i>(Note 5)</i>	<u>59,829</u>	<u>59,718</u>
Total revenue	<u>11,080,757</u>	<u>6,919,009</u>
EXPENSES:		
Program grants:		
Related entities	1,522,370	251,725
Unrelated entities	<u>207,242</u>	<u>172,709</u>
Total program grants	<u>1,729,612</u>	<u>424,434</u>
Supporting services:		
Mineral interest and production expenses	392,125	273,956
Investment management costs	302,194	287,592
Diocesan operating entities – administrative services	260,000	255,000
Other administrative	28,594	32,365
Depreciation	<u>76,360</u>	<u>76,360</u>
Total supporting services	<u>1,059,273</u>	<u>925,273</u>
Total expenses	<u>2,788,885</u>	<u>1,349,707</u>
CHANGES IN UNRESTRICTED NET ASSETS	8,291,872	5,569,302
Unrestricted net assets, beginning of year	<u>50,106,358</u>	<u>44,537,056</u>
Unrestricted net assets, end of year	<u>\$ 58,398,230</u>	<u>\$ 50,106,358</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 8,291,872	\$ 5,569,302
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(5,630,256)	(3,048,675)
Depreciation	76,360	76,360
Changes in operating assets and liabilities:		
Investment income receivable	(579,542)	648,139
Accounts payable	5,659	(24,681)
Grants payable to related entities	<u>52,000</u>	<u>(977,000)</u>
Net cash provided by operating activities	<u>2,216,093</u>	<u>2,243,445</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	7,983,861	17,356,993
Proceeds from mineral investments	1,361,746	
Purchases of investments	(12,506,602)	(18,108,298)
Net purchases of money market mutual funds held as investments	(1,720,856)	351,364
Advances made on note receivable from Bishop Quin Foundation		(2,000,000)
Payments received on note receivable from Bishop Quin Foundation		<u>250,000</u>
Net cash used by investing activities	<u>(4,881,851)</u>	<u>(2,149,941)</u>
NET CHANGE IN CASH EQUIVALENTS	(2,665,758)	93,504
Cash equivalents, beginning of year	<u>3,504,561</u>	<u>3,411,057</u>
Cash equivalents, end of year	<u>\$ 838,803</u>	<u>\$ 3,504,561</u>
<i>Supplemental disclosure of cash flow information:</i>		
Investment in mining interest received		\$3,249,497

See accompanying notes to financial statements.

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

Notes to Financial Statements for the years ended December 31, 2013 and 2012

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 Executive Board has certain oversight responsibilities relating to the affairs of the Foundation and the following related Diocesan operating entities:

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish and mission assessments and missionary commitments.
- *Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Episcopal Health Foundation (EHF)* was created in 2013 with the 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 will be to support health initiatives within the 57 counties that are included in the territory of the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to assist the Diocese in spreading the gospel throughout the Diocese primarily through church planting.
- *EDOT Financial Services Corporation* is a Texas nonprofit organization created as an operating unit of the Diocese to provide accounting, financial, administrative and investment management services support.

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.

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. The allowance 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 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, 2013, there were no impaired notes receivable.

Investments in marketable securities and lignite mining interests are reported at fair value. Mineral rights are valued at lower of cost or fair value and are fully depleted. Purchases and sales of investments are reported on a trade-date basis. 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.

Leasehold improvements are 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 2013 and 4.50% for 2012. 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.

Contributions received 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 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.

NOTE 2 – NOTE RECEIVABLE FROM BISHOP QUIN

In 2012, the Foundation loaned \$2,000,000 to Bishop Quin to be used to reduce outside bank debt related to a parish property. The note bears interest of 2.5% to 3.5% and is expected to be repaid as follows through 2017:

2014	\$ 250,000
2015	250,000
2016	250,000
2017	<u>1,000,000</u>
Total note receivable	<u>\$ 1,750,000</u>

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.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by 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, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic large-cap exchange-traded funds	\$ 13,397,007			\$ 13,397,007
International equity securities:				
Developed markets	9,485,504			9,485,504
Emerging markets	705,205			705,205
Domestic equity securities:				
Large-cap	5,007,619			5,007,619
Mid-cap	2,616,679			2,616,679
Small-cap	2,466,803			2,466,803
World allocation mutual funds	4,975,754			4,975,754
Fixed-income mutual funds	4,098,598			4,098,598
U. S. Treasury securities		\$ 2,944,107		2,944,107
Money market mutual funds	2,617,989			2,617,989
Lignite mining interests			\$ 2,065,078	2,065,078
Asset-backed securities		1,817,844		1,817,844
Commodity exchange-traded funds	1,659,099			1,659,099
Exchange-traded bond funds:				
Long-term	305,880			305,880
High yield	168,670			168,670
Real estate investment trust funds	<u>96,643</u>			<u>96,643</u>
Total investments	47,601,450	4,761,951	2,065,078	54,428,479
Cash equivalents:				
Money market mutual funds	<u>838,803</u>			<u>838,803</u>
Total assets measured at fair value	<u>\$ 48,440,253</u>	<u>\$ 4,761,951</u>	<u>\$ 2,065,078</u>	<u>\$ 55,267,282</u>

Assets measured at fair value at December 31, 2012 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	\$ 8,100,211			\$ 8,100,211
International equity securities:				
Developed markets	7,768,965			7,768,965
Emerging markets	635,082			635,082
Domestic equity securities:				
Large-cap	3,916,246			3,916,246
Mid-cap	1,453,721			1,453,721
Small-cap	1,340,697			1,340,697
World allocation mutual funds	4,475,835			4,475,835
Fixed-income mutual funds	4,205,564			4,205,564
U. S. Treasury securities		\$ 2,496,617		2,496,617
Money market mutual funds	897,133			897,133
Lignite mining interests			\$ 3,249,479	3,249,479
Asset-backed securities		2,560,829		2,560,829
Commodity exchange-traded funds	1,800,700			1,800,700
Exchange-traded bond funds:				
Long-term	244,965			244,965
High yield	169,524			169,524
Real estate investment trust funds	<u>447,562</u>			<u>447,562</u>
Total investments	35,456,205	5,057,446	3,249,479	43,763,130
Cash equivalents:				
Money market mutual funds	<u>3,504,561</u>			<u>3,504,561</u>
Total assets measured at fair value	<u>\$ 38,960,766</u>	<u>\$ 5,057,446</u>	<u>\$ 3,249,479</u>	<u>\$ 47,267,691</u>

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.
- *U. S. Treasury securities and asset-backed securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.
- *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, 2013 and 2012 are as follows:

Balance at December 31, 2011	\$ 0
Investment in mining interest received from an estate	<u>3,249,479</u>
Balance at December 31, 2012	3,249,479
Depletion related to current year production distributions	(1,248,333)
Change in valuation of future production streams	<u>63,932</u>
Balance at December 31, 2013	<u>\$ 2,065,078</u>

NOTE 4 – INVESTMENT RETURN

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

	<u>2013</u>	<u>2012</u>
Net realized and unrealized gain	\$ 5,630,256	\$ 3,048,675
Interest and dividends	1,358,435	1,273,903
Royalty income	<u>3,988,487</u>	<u>2,348,598</u>
Total investment return	<u>\$ 10,977,178</u>	<u>\$ 6,671,176</u>

NOTE 5 – LEASEHOLD IMPROVEMENTS

Leasehold improvements consist of the following:

	<u>2013</u>	<u>2012</u>
Episcopal Diocesan Center in Austin	\$ 1,323,050	\$ 1,323,050
Accumulated depreciation	<u>(341,396)</u>	<u>(265,036)</u>
Leasehold improvements, net	<u>\$ 981,654</u>	<u>\$ 1,058,014</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 the renovation, the building was subleased through 2029 to the Diocese for use as the Diocesan Center in Austin for annual rent of approximately \$60,000. Rental income recognized in 2013 and 2012 from the Diocese was approximately \$60,000.

Rental income from the Diocese at December 31, 2013 is expected to be received as follows:

2014	\$ 59,616
2015	59,616
2016	59,616
2017	59,616
2018	59,616
Thereafter	<u>625,968</u>
Total	<u>\$ 924,048</u>

NOTE 6 – GRANTS PAYABLE

Grants payable to related entities as of December 31, 2013 are expected to be paid as follows:

2014	\$ 285,000
2015	<u>175,000</u>
Total grants payable	460,000
Discount to net present value at approximately 1%	<u>(3,446)</u>
Grants payable, net	<u>\$ 456,554</u>

The Foundation has made approximately \$249,000 in grants to related entities that are conditional and have not been recognized as grants payable in these financial statements as of December 31, 2013.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent to year end, the Foundation agreed to loan \$3,000,000 to Bishop Quin to be repaid over 3 years at an interest rate of 2.5%. Additionally, the Foundation received \$1,500,000 from Bishop Quin to repay outstanding debt.

Management has evaluated subsequent events through May 20, 2014, 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.

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, 2013

	<u>COFFIELD</u> <u>INCOME FUND</u>	<u>COFFIELD</u> <u>PRINCIPAL FUND</u>	<u>MEMORIAL</u> <u>FUND</u>	<u>TOTAL</u>
ASSETS				
Cash equivalents	\$ 838,803			\$ 838,803
Investments		\$ 54,120,869	\$ 307,610	54,428,479
Investment income receivable		875,261		875,261
Note receivable from Bishop Quin Foundation		1,750,000		1,750,000
Leasehold improvements, net		981,654		981,654
Interfund receivable (payable)	<u>1,376,849</u>	<u>(1,376,849)</u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,215,652</u>	<u>\$ 56,350,935</u>	<u>\$ 307,610</u>	<u>\$ 58,874,197</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 19,413			\$ 19,413
Grants payable to related entities	<u>456,554</u>			<u>456,554</u>
Total liabilities	<u>475,967</u>			<u>475,967</u>
Unrestricted net assets	<u>1,739,685</u>	<u>\$ 56,350,935</u>	<u>\$ 307,610</u>	<u>58,398,230</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,215,652</u>	<u>\$ 56,350,935</u>	<u>\$ 307,610</u>	<u>\$ 58,874,197</u>

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

Supplemental Statement of Financial Position by Fund as of December 31, 2012

	<u>COFFIELD</u> <u>INCOME FUND</u>	<u>COFFIELD</u> <u>PRINCIPAL FUND</u>	<u>MEMORIAL</u> <u>FUND</u>	<u>TOTAL</u>
ASSETS				
Cash equivalents	\$ 43,462	\$ 3,461,099		\$ 3,504,561
Investments		43,476,681	\$ 286,449	43,763,130
Receivable from estate		448,961		448,961
Note receivable from Bishop Quin Foundation		1,750,000		1,750,000
Leasehold improvements, net		1,058,014		1,058,014
Interfund receivable (payable)	<u>1,105,559</u>	<u>(1,105,559)</u>		
TOTAL ASSETS	<u>\$ 1,149,021</u>	<u>\$ 49,089,196</u>	<u>\$ 286,449</u>	<u>\$ 50,524,666</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 13,754			\$ 13,754
Grants payable to related entities	<u>404,554</u>			<u>404,554</u>
Total liabilities	<u>418,308</u>			<u>418,308</u>
Unrestricted net assets	<u>730,713</u>	<u>\$ 49,089,196</u>	<u>\$ 286,449</u>	<u>50,106,358</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,149,021</u>	<u>\$ 49,089,196</u>	<u>\$ 286,449</u>	<u>\$ 50,524,666</u>

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

Supplemental Statement of Activities by Fund for the year ended December 31, 2013

	<u>COFFIELD INCOME FUND</u>	<u>COFFIELD PRINCIPAL FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
REVENUE:				
Investment return	\$ 1,967,485	\$ 8,975,911	\$ 33,782	\$ 10,977,178
Interest on note receivable from Bishop Quin Foundation		43,750		43,750
Rent income	<u>59,829</u>			<u>59,829</u>
Total revenue	<u>2,027,314</u>	<u>9,019,661</u>	<u>33,782</u>	<u>11,080,757</u>
EXPENSES:				
Program grants:				
Related entities	1,509,749		12,621	1,522,370
Unrelated entities	<u>207,242</u>			<u>207,242</u>
Total program grants	<u>1,716,991</u>		<u>12,621</u>	<u>1,729,612</u>
Supporting services:				
Mineral interest and production expenses	392,125			392,125
Investment management costs	302,194			302,194
Diocesan operating entities – administrative services	260,000			260,000
Other administrative	28,594			28,594
Depreciation		<u>76,360</u>		<u>76,360</u>
Total supporting services	<u>982,913</u>	<u>76,360</u>		<u>1,059,273</u>
Total expenses	<u>2,699,904</u>	<u>76,360</u>	<u>12,621</u>	<u>2,788,885</u>
Interfund transfers	<u>1,681,562</u>	<u>(1,681,562)</u>		
CHANGES IN UNRESTRICTED NET ASSETS				
Unrestricted net assets, beginning of year	<u>730,713</u>	<u>49,089,196</u>	<u>286,449</u>	<u>50,106,358</u>
Unrestricted net assets, end of year	<u>\$ 1,739,685</u>	<u>\$ 56,350,935</u>	<u>\$ 307,610</u>	<u>\$ 58,398,230</u>

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

Supplemental Statement of Activities by Fund for the year ended December 31, 2012

	<u>COFFIELD INCOME FUND</u>	<u>COFFIELD PRINCIPAL FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
REVENUE:				
Investment return	\$ 1,174,299	\$ 5,478,585	\$ 18,292	\$ 6,671,176
Contributions		141,860		141,860
Interest on note receivable from Bishop Quin Foundation		46,255		46,255
Rent income	<u>59,718</u>			<u>59,718</u>
Total revenue	<u>1,234,017</u>	<u>5,666,700</u>	<u>18,292</u>	<u>6,919,009</u>
EXPENSES:				
Program grants:				
Related entities	239,193		12,532	251,725
Unrelated entities	<u>172,709</u>			<u>172,709</u>
Total program grants	<u>411,902</u>		<u>12,532</u>	<u>424,434</u>
Supporting services:				
Mineral interest and production expenses	273,956			273,956
Investment management costs	287,592			287,592
Diocesan operating entities – administrative services	255,000			255,000
Other administrative	32,365			32,365
Depreciation		<u>76,360</u>		<u>76,360</u>
Total supporting services	<u>848,913</u>	<u>76,360</u>		<u>925,273</u>
Total expenses	<u>1,260,815</u>	<u>76,360</u>	<u>12,532</u>	<u>1,349,707</u>
Interfund transfers	<u>1,366,552</u>	<u>(1,366,552)</u>		
CHANGES IN UNRESTRICTED NET ASSETS				
	1,339,754	4,223,788	5,760	5,569,302
Unrestricted net assets, beginning of year	<u>(609,041)</u>	<u>44,865,408</u>	<u>280,689</u>	<u>44,537,056</u>
Unrestricted net assets, end of year	<u>\$ 730,713</u>	<u>\$ 49,089,196</u>	<u>\$ 286,449</u>	<u>\$ 50,106,358</u>

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

Financial Statements
and Independent Auditors' Report
for the period from April 26, 2013
through December 31, 2013

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 statement of financial position as of December 31, 2013 and the related statements of activities and of cash flows for the period from April 26, 2013 (date of inception) through December 31, 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit 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, 2013 and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

May 20, 2014

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

Statement of Financial Position as of December 31, 2013

ASSETS

Cash	\$ 385,000
Money market mutual funds <i>(Note 2)</i>	98,935,596
Receivable from Episcopal Health Foundation <i>(Note 3)</i>	26,946,923
Other assets	<u>49,345</u>
TOTAL ASSETS	<u>\$ 126,316,864</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable to related Diocesan operating entities	\$ 57,354
Grants payable to EDOT Financial Services	<u>5,000,000</u>
Total liabilities	5,057,354
Unrestricted net assets	<u>121,259,510</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 126,316,864</u>

See accompanying notes to financial statements.

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

Statement of Activities for the period from April 26, 2013 through December 31, 2013

REVENUE:

Transfer of funds from Episcopal Diocese of Texas	\$ 398,216
Support from Episcopal Health Foundation	125,881,923
Investment return	<u>605</u>
Total revenue	<u>126,280,744</u>

EXPENSES:

Grant to EDOT Financial Services	5,000,000
Management and general	<u>21,234</u>
Total expenses	<u>5,021,234</u>

CHANGES IN UNRESTRICTED NET ASSETS 121,259,510

Unrestricted net assets, beginning of year 0

Unrestricted net assets, end of year \$ 121,259,510

See accompanying notes to financial statements.

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

Statement of Cash Flows for the period from April 26, 2013 through December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in unrestricted net assets	\$ 121,259,510
Changes in operating assets and liabilities:	
Receivable from Episcopal Health Foundation	(26,946,923)
Other assets	(49,345)
Accounts payable to related Diocesan operating entities	57,354
Grants payable to EDOT Financial Services	<u>5,000,000</u>
Net cash provided by operating activities	<u>99,320,596</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of money market mutual funds	<u>(98,935,596)</u>
--	---------------------

NET CHANGE IN CASH 385,000

Cash, beginning of year 0

Cash, end of year \$ 385,000

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 period from April 26, 2013 through December 31, 2013

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 planning strategies of the Protestant Episcopal Church Diocese of Texas (the Diocese). The organization of the Foundation is set forth in Canon 49 of the Constitution and Canons of the Diocese. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. Members of the Board of Directors 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 Directors.

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

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish assessments and missionary commitments.
- *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.
- *Episcopal Health Foundation (EHF)* was created in 2013 with the 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 support health initiatives within the 57 counties that are included in the territory of the Diocese.
- *EDOT Financial Services Corporation* is a Texas nonprofit organization created as an operating unit of the Diocese to provide accounting, financial, administrative and investment management services support.

The Foundation may engage in transactions with related entities that are directly or indirectly governed by the Council of the Diocese such as 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.

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

Money market mutual funds are valued 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.

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. The grant payable is expected to be paid in the next year.

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

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by 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, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Money market mutual funds	\$ 98,935,596	\$ 0	\$ 0	\$ 98,935,596

Mutual funds are valued at the reported net asset value of shares held at year end. This valuation method 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 method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 3 – RECEIVABLE FROM EPISCOPAL HEALTH FOUNDATION

At December 31, 2013, the receivable from EHF is due to be received as follows:

2014	\$ 4,017,548
2015-2019	20,087,738
Thereafter	<u>4,900,000</u>
Total receivable	29,005,286
Discount to net present value at 2.45%	<u>(2,058,363)</u>
Receivable, net	<u>\$ 26,946,923</u>

NOTE 4 – SUBSEQUENT EVENTS

Subsequent to December 31, 2013, the Foundation purchased land for \$5,009,000, to be used for church development. Additionally, the Foundation advanced \$6,500,000 to Church Corporation. The advance is expected to be repaid with future proceeds from the sale of property by the Church Corporation.

Management has evaluated subsequent events through May 20, 2014, 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.

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

Combined Financial Statements
and Independent Auditors' Report
for the period from March 27, 2013,
through December 31, 2013

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 combined statement of financial position as of December 31, 2013 and the related combined statements of activities and of cash flows for the period from March 27, 2013 (date of inception) through December 31, 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit 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 combined financial position of The Episcopal Health Foundation as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

July 2, 2014

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

Combined Statement of Financial Position as of December 31, 2013

ASSETS

Cash and cash equivalents (<i>Notes 3 and 4</i>)	\$ 7,932,659
Investment income receivable	969,458
Interest receivable on note receivable	6,211,111
Note receivable, net (<i>Note 2</i>)	244,000,000
Investments (<i>Note 4</i>)	<u>875,885,250</u>
TOTAL ASSETS	<u>\$ 1,134,998,478</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 296,057
Grant payable to Great Commission Foundation (<i>Note 5</i>)	<u>26,946,923</u>
Total liabilities	<u>27,242,980</u>
Unrestricted net assets:	
Undesignated	110,978,655
Contractually restricted (<i>Note 6</i>)	<u>996,776,843</u>
Total unrestricted net assets	<u>1,107,755,498</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,134,998,478</u>

See accompanying notes to combined financial statements.

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

Combined Statement of Activities for the period from March 27, 2013, through December 31, 2013

REVENUE:

Revenue from transfer agreement (<i>Note 2</i>)	\$ 1,244,004,044
Investment return (<i>Note 4</i>)	55,530,498
Interest on note receivable	6,211,111
Other revenue	<u>163,016</u>
Total revenue	<u>1,305,908,669</u>

EXPENSES:

Grants made (<i>Note 5</i>)	185,874,135
Grant administration	966,865
Supporting services:	
Diocesan operating entities – administrative services	116,296
Other management and general	<u>545,875</u>
Total supporting services	662,171
Transaction costs for asset transfers	<u>10,650,000</u>
Total expenses	<u>198,153,171</u>

CHANGES IN UNRESTRICTED NET ASSETS	1,107,755,498
Unrestricted net assets, beginning of year	<u>0</u>
Unrestricted net assets, end of year	<u>\$ 1,107,755,498</u>

See accompanying notes to combined financial statements.

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

Combined Statement of Cash Flows for the period from March 27, 2013, through December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in unrestricted net assets	\$ 1,107,755,498
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(47,521,282)
Contribution of a note receivable	(244,000,000)
Changes in operating assets and liabilities:	
Investment earnings and interest receivable	(7,180,569)
Accounts payable and accrued expenses	296,057
Grants payable to Great Commission Foundation	<u>26,946,923</u>
Net cash provided by operating activities	<u>836,296,627</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(666,487,462)
Change in money market mutual funds held as investments	<u>(161,876,506)</u>
Net cash used by investing activities	<u>(828,363,968)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

7,932,659

Cash and cash equivalents, beginning of year

0

Cash and cash equivalents, end of year

\$ 7,932,659

See accompanying notes to combined financial statements.

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

Notes to Combined Financial Statements for the period from March 27, 2013, through December 31, 2013

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

On June 1, 2013, in conjunction with the transfer of membership of the St. Luke's Episcopal Health System from the Episcopal Diocese of Texas to Catholic Health Initiatives (CHI), the St. Luke's Episcopal Health Charities (Charities) sole member became the Episcopal Diocese of Texas. Effective December 31, 2013, the Charities' nonprofit corporation was dissolved and all assets, liabilities, and net assets transferred to EHF.

Basis of presentation – These financial statements include the assets, liabilities, net assets and activities of EHF for the period from March 27, 2013 through December 31, 2013 and the Charities for the period from June 1, 2013 through December 31, 2013 (collectively the Foundation). All balances and transactions between the combined entities have been eliminated. The accompanying combined financial statements do not include the assets, liabilities, net assets or activities of the related Diocesan operating 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.

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

- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported by parish and mission assessments and missionary commitments.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.

- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated entities of the Diocese.
- *Great Commission Foundation (GCF)* was created in 2013 to assist the Diocese in spreading the gospel throughout the Diocese primarily through church planting.
- *EDOT Financial Services Corporation* is a Texas nonprofit organization created as an operating unit of the Diocese to provide accounting, financial, administrative and investment management services support.

Federal income tax status – EHF and the Charities are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and are classified as Type I supporting organizations under §509(a)(3). EHF and the Charities file annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods in progress.

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 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 the Foundation 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 these balances will change in the near term resulting in a change in the carrying value of receivables. At December 31, 2013, all known impaired loans have been reserved in the allowance for loan losses.

Investments in marketable securities are reported at fair value. Investment return includes interest, dividends, and realized and unrealized gains and losses net of investment management fees. 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.

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

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

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 out flows 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.

NOTE 2 – DEFINITIVE AGREEMENT TRANSACTIONS

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

The note receivable agreement with CHI totaled \$260,000,000 and both principal and interest are to be paid in payments of \$40,175,000 annually on the anniversary of the note with a final payment due May 31, 2020. The note bears interest at 4%. The agreement requires that the final payment be reduced by liabilities that may be incurred by CHI related to the operations of SLEH as outlined in the Agreement.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2013 consist of the following:

Bank deposits	\$ 758,894
Money market mutual funds	<u>7,173,765</u>
Total cash and cash equivalents	<u>\$ 7,932,659</u>

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

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.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by 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, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Exchange-traded funds:				
Domestic:				
Large-cap	\$ 181,399,748			\$ 181,399,748
Small-cap	144,461,867			144,461,867
Energy partnerships	52,214,717			52,214,717
International:				
Developed markets	188,725,580			188,725,580
Emerging markets	98,054,722			98,054,722
Money market mutual funds	161,876,506			161,876,506
Real estate mutual funds	<u>49,152,110</u>			<u>49,152,110</u>
Total investments	875,885,250			875,885,250
Money market mutual funds held as cash equivalents	<u>7,173,765</u>			<u>7,173,765</u>
Total assets measured at fair value	<u>\$ 883,059,015</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 883,059,015</u>

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

- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual funds are traded.
- *Mutual funds* are valued at the reported net asset value of shares held at year end.

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.

Investment return at December 31, 2013 includes earnings on cash and cash equivalents and consists of the following:

Interest and dividends	\$ 8,186,264
Net realized and unrealized gain	47,521,282
Investment management fees	<u>(177,048)</u>
Total investment return	<u>\$ 55,530,498</u>

NOTE 5 – GRANTS FOR RELATED ENTITIES

For the period ending December 31, 2013, the Foundation has granted \$125,881,923 to GCF with certain amounts to be paid over a 7-year period. At December 31, 2013, the grant payable to GCF is expected to be paid as follows:

2014	\$ 4,017,548
2015	4,017,548
2016	4,017,548
2017	4,017,548
2018	4,017,548
Thereafter	<u>8,917,546</u>
Total	29,005,286
Discount to net present value at 2.45%	<u>(2,058,363)</u>
Total grants payable	<u>\$ 26,946,923</u>

NOTE 6 – CONTRACTUALLY RESTRICTED NET ASSETS

Under the provisions of the definitive agreement, EHF is required to expend 85% of the proceeds of the transfer of assets of SLEH for health initiatives as defined in the Agreement and 85% of the proceeds within the 57 counties that comprise the Diocese of Texas. For the period ended December 31, 2013, transactions and balances related to such restrictions were as follows:

Revenue from transfer agreement	\$ 1,057,400,000
Expenditure of funds for restricted purposes	<u>(60,623,157)</u>
Total contractually restricted net assets	<u>\$ 996,776,843</u>

NOTE 7 – SUBSEQUENT EVENTS

On April 10, 2014, the Foundation purchased for approximately \$8,500,000 a building to serve as its corporate office.

Management has evaluated subsequent events through July 2, 2014, 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.

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 five Medical Trust Plans:

1. Cigna High Deductible Health Plan (HDHP)
2. Cigna POS (Open Access Plan)
3. Anthem Blue Cross Blue Shield EPO 80 Plan
4. Anthem Blue Cross Blue Shield PPO 75/50 Plan
5. Aetna HMO

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 and an Employee Assistance Plan, which is available to all covered clergy and lay employees.

Overall, the cost of health insurance for the Diocese will rise by slightly more than 5% for 2015. This increase is less than the average for premium increases across the United States. This moderation in premium increases again validates the work and decisions of the Insurance Task Force both in adopting the HDHP plan in 2007 and in managing our health insurance coverages since that time.

In 2015, the Diocese will be provided with \$5 million 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.

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 the family coverage for these new clergy the Diocese will begin the process of making clergy and lay health care coverage equal. No clergy currently in the Diocese will lose any coverage as a result of this decision.

Please either call or email Debra Klinger, Human Resources/Benefits Administrator, at 713-353-2120 or 1-800-318-4452, ext. 2120, dklinger@epicenter.org for further information regarding health insurance.

Robert J. Biehl, Chair

Clergy Life Insurance

Effective January 1, 2009, the Church Pension Fund increased the life insurance coverage available to clergy and began providing up to \$100,000 in life insurance for all eligible, active clergy. This increased benefit generates imputed taxable income to the clergyperson under the Internal Revenue Code. Churches will need to include this amount on the clergy person's W-2 each year.

The Church Pension Fund also provides up to \$50,000 in life insurance for all eligible, retired clergy or if the clergy person has 25 years of credited service the retired clergy will continue to receive \$100,000 of life insurance. I want to emphasize how extremely important it is that pension assessments be paid currently for all active clergy. Failure to do so by their parishes could result in the loss of this important life insurance benefit to the clergy. If the pension assessments for a priest are in arrears by more than six months and the priest should die, the life insurance benefit will not be paid.

Since 2002, supplemental Life Insurance has been offered to all active clergy and lay employees under the age of sixty-five. This plan offers the option to purchase supplemental

term life insurance for the eligible clergy person or lay employee up to three times the life insurance benefit the Diocese provides. Or, you may purchase in increments of \$50,000 to a maximum of \$500,000 of coverage. Spousal coverage is based on the same calculation, however it is limited to a maximum coverage of \$240,000. Clergy and lay employees will be responsible for the premiums and you may apply at date of hire. Premiums are based upon age and change in five-year increments. The supplemental term life insurance will be automatically reduced by 50% at age sixty-five, and terminates at age seventy. For more information, please call or email Debra Klinger, Human Resources/Benefits Administrator at the Diocesan Center at 713-353-2120 or 1-800-318-4452, extension 1012, dklinger@epicenter.org.

Robert J. Biehl, Chair

Pensions

Pensions are provided to the clergy of the Diocese through participation in the Church Pension Fund. Parishes fund these benefits by their quarterly contributions to the Fund based on the compensation of their clergy.

The Pension Fund's total net assets at March 31, 2014 were over \$11.2 billion representing an increase of over \$887 million from last year. These assets are in excess of the required reserves by over \$2.8 billion. The Fund investments returned more than 11.0% during this fiscal year. The Pension Fund paid out a total of \$350,311,734 in pensions and other benefits during fiscal 2014.

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

<u>Beneficiaries</u>	<u>2013</u>	<u>2012</u>
Retired Clergy		
Normal Retirement	3,735	3,624
Early Retirement	3,585	3,553
Disability Retirement	461	459
Surviving Spouses	<u>2,607</u>	<u>2,578</u>
TOTAL	10,388	10,214

As the number of retirees increases in every diocese, the Church Pension Fund, through its Ministry to the Retired, is available to assist Chaplains designated by our Bishop in the ministry established in our diocese. Through personal contact and educational services, they are willing to assist the Chaplains in interpreting pension benefits as well as introduce proven programs for ministry to and with the retired. The Church Pension Fund, in conjunction with the Diocese, provides training to enhance the pastoral ministry of these chaplains. The Church Pension Fund's department of Pastoral Care and Education continues to offer Planning for Tomorrow Conferences, presented in each diocese every five years.

Church treasurers should be aware that 30% of the priest's compensation is the annual housing factor to be used when computing the pension base for a clergy person who lives in a home owned by the church. Amounts reimbursed to clergy for payment of their self-employment Social Security also form part of the pension base along with salary, housing, and utility allowances. Forms for calculation of clergy pension are available on the Diocesan website.

Church treasurers should promptly notify the Church Pension Fund office of all changes in compensation paid to their clergy staff. Quarterly Pension assessment statements are issued by the Church Pension Fund office, 19 East 34th Street, New York, NY 10016, and are based

upon information on file with that office. Each source of clergy compensation has the responsibility of posting changes as they occur. However, the clergy should also review their reports from the Pension Fund to assure the accuracy and timeliness of the amounts remitted to the Church Pension Fund. Delay in reporting changes results in retroactive adjustments, which are difficult to manage. In addition, adjustments can only be made for the previous two years, so failure to report adjustments could result in lower pension bases and therefore reduced pensions at retirement. Should you have any questions or seek any information, the telephone number for the Church Pension Group is 1-866-802-6333 or you may contact Debra Klinger in our office. (713-353-2120) or dklinger@epicenter.org.

Robert J. Biehl, Chair

Property Insurance

Nearly all congregations within the Diocese insure their real and personal property with the Church Insurance Company and their product partners. Parishes, missions and entities within the Diocese are free to insure their property with any reputable company of their choice so long as the coverages afforded are in accordance with Canon Section 20.2. This Canon requires that the coverages afforded under policies purchased from outside sources be comparable to those from the Church Insurance Company in the Diocesan master policy. Most commercial carriers will not write sexual misconduct insurance for churches and this coverage is required by the Diocese.

We recommend an annual review of your insurance coverage for general liability, sexual misconduct, non-owned auto, worker's compensation, director's and officer's liability and umbrella liability provisions.

A Blanket Crime provision covers theft within churches with a \$25,000 limit. (Additional coverage is available at the church's expense.) Specific entities may find that they require other more expanded coverages to protect fine art, stained glass, vestments or other valuable church property. Church Insurance protects their insureds with all these coverages through the Diocesan master policy. They are also available to assist in reviewing your coverage.

Church Insurance Agency has obtained product partners to provide quality coverage in a number of areas at more affordable rates for products such as director's and officer's and umbrella liabilities. This coverage is recommended by the Diocese.

For information and assistance with insurance through the Church Insurance Company, please contact our agent Mr. John Scheffler, Vice President of Client Services, at 972-355-0927 or via email to JScheffler@cpg.org. You may also contact David Fisher in our offices at 713-353-2109 or dfisher@epicenter.org.

Robert J. Biehl, Chair

General Funds Appeal

The Committee for General Funds Appeal did not meet in 2014.

Jimmy Abbott, Chair

VIII. COMMITTEES AND BOARDS CREATED BY CANON

Austin Convocation

2014 Programming of the Austin Convocation

In 2014, the Austin Convocation continued its pattern of monthly luncheons during the Program Year of September through May. As we have for the last three Program Years, the Clericus rotated the location of these meetings among the Austin-area institutions of the Diocese, including not only its parishes, but its missions (Saint Julian of Norwich); its Episcopal schools (Saint Andrew's, Saint Stephen's, and Trinity); the second campus of Good Shepherd-Austin (Good Shepherd on the Hill); as well as the Seminary of the Southwest. This variety of settings provided the opportunity for colleagues in ministry to welcome peers to our respective campuses; to pray together in these spaces where we "live and move and have our being;" and to tangibly support one another's work in the larger Church.

Call to Consider the Organization of the Austin Convocation

In 2012, the Austin Clericus entered discussions considering the met and unmet needs of the Austin Convocation as supported (or unsupported) by its current organization. During these discussions, we named the benefits of the current structure's support of: our fellowship with one another; our informally sharing successes and best practices in ministry; our engaging colleagues serving in similar contexts; and our engaging colleagues serving in different contexts than our own, particularly appreciated by those members of the Clericus serving in the more rural areas of the Convocation who noted their sense of marginalization from Austin's center. Affirming these values, we also grieved of our current customs: the lack of participation among the members of the Clericus in our monthly meetings; the difficulties presented by our disparate geography; and, while affirming the opportunity to hear of varied experiences, the disconnect between the current needs of bi-vocational clergy; retired clergy; and clergy serving in the several different municipalities represented in our Convocation.

Studying Convocational History & Current Practices

Studying the history of convocations within the Episcopal Diocese of Texas, we learned that the current diocesan-wide organization predated the significant and continuing population growth of the Austin metroplex. Therefore, while the greater Houston area has long been subdivided into its several convocations, the Austin Convocation has as many as *eight-times* the number of clergy as other convocations.

We also learned from our peer Convocations the several different conventions of their meetings. Among these, facilitator-led peer groups inviting high levels of commitment and confidence were the most favored. We acknowledged similar groups organizing *ad hoc* within the Austin Convocation, and confirmed that our plenary meetings would not allow for such intimacy, at least as currently comprised. Further, we heard from our episcopal leadership the continuing need for convocations to convene as a whole, without subdivision by role (rectors, associates, etc.) or other qualifiers.

Identification of the Problem

Meetings of the Austin Convocation average in attendance less than 10% of our ordained membership. We have hypothesized that our disproportionately large pool of clergy contributes to our low participation. That is, just as smaller congregations enjoy the participation of a higher percentage of their membership than their large-congregation

counterparts, the Austin Convocation suffers a smaller percentage of participation than other diocesan convocations because of our greater numbers of member clergy. Rather than encouraging participation within a culture of familiarity and accountability, our scale nurtures a culture of anonymity. As one example, the impossibility of any member managing to attend the great many significant events in the Convocation's communities (eg, ordinations, installations, ground-breakings, etc.) disinclines many in our membership from participating in any at all: "There are so many of us, I won't be missed," many of us confessed to lamenting.

Strategizing a Solution

We believe subdividing the Austin Convocation into smaller groups organized by geography – which we have designated as "Deaneries" – will serve and support the participation of a significantly higher percentage of our overall membership. Within these smaller groups, we as a Clericus have covenanted to share higher expectations of ourselves and of one another.

Within our Deaneries, monthly meetings will focus on the subgroups' natural, contextual affinities and interests, allowing for the provision of more attractive, more meaningful, and more relevant programming for the particular membership of each group. We expect meetings within the Deaneries will better connect our diocesan institutions to the municipalities of which they are a part, better empowering our Episcopal communities to address unmet needs within their neighborhoods and townships, and better mobilizing our Episcopal communities during an urgent civic need. Likewise, we have covenanted to make our best effort to attend the significant events within our respective Deanery's communities, better connecting us with our fellow Episcopal institutions and with our fellow Episcopal clergy.

Meeting the stated episcopal expectation, we will continue to meet quarterly as the whole Austin Convocation. During these plenary meetings, we will hear from each of the Deaneries about their work and experience within their smaller groups.

Plans for 2015

Beginning in the spring of 2015, the Austin Convocation will begin meeting monthly in three 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 will be supported by the leadership of a "Convening Congregation," providing for a central meeting location, as well as a "Convening Cleric" (or Clergy), tasked with convening and facilitating their Deanery's meetings.

The Northwest Deanery will comprise 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 will serve as the Convening Congregation of the Northwest Deanery, with its parochial leadership, the Rev's. Mike Wykoff and Parker Jameson, serving as its "Convening Clergy."

The Eastern Deanery will comprise 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 will serve as the Convening Congregation of the Eastern Deanery, with its rector, the Rev. Stuart Shelby serving as its Convening Cleric.

The Central Deanery will comprise 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. Good Shepherd-Austin will serve as the Convening Congregation of the Central Deanery. I will serve as its Convening Cleric, while continuing in my role as Convocational Dean.

Reporting to Council in 2016

Encouraged by Bishop Doyle to test this reorganization in service of our Convocation's stated goals, we look forward to reporting our experience to the 2016 Council.

Morgan Allen, Dean

Central Convocation

For the Central Convocation, 2014 was a year in which growth and changes from the previous year were affirmed, consolidated, and continued.

James Pevehouse was installed as rector of St. Mary's in Bellville.

St. Peter's, Brenham, continued its tradition of funding community-wide ministries and outreach efforts through a special dinner at the beginning of 2014. Faith Mission, Mission Brenham, and the local C.A.S.A organization each received over \$4,000. In addition, donations helped fund St. Peter's radio show that reaches out to the community with the proclamation of the Gospel. St. Peter's is also at the forefront of the arts in the Brenham area by hosting a week-long Creative Arts Camp, the Diocesan Music Camp, several special concerts during the year as well as their Annual Art Show in November.

St. Andrew's, Bryan, has had a mission of knowing Christ and making Christ known at 26th and Parker for one hundred years. St. Andrew's celebrated the 100th anniversary of the consecration of its church building with a special service and luncheon in April. In June, St. Andrew's once again sent missionaries to the Good Shepherd Mission in the Navajoland where they worked on construction projects, organized and led Good Shepherd's Vacation Bible School, and provided veterinary services to the area through the work of several vet students from Texas A&M University. St. Andrew's also began missionary work closer to home at St. Philip's in Hearne. St. Andrew's is serving as the anchor church for a missional community at St. Philip's. There have been further exciting developments in this area especially with the naming of a pastoral leader intern to serve St. Philip's.

St. Thomas', College Station, welcomed and met some exciting opportunities and challenges in 2014. The congregation added a Sunday evening casual worship service, a new Wednesday night programming line-up that includes Bible study, yoga, youth group, and a catered meal each week. The generosity of the Diocese of Texas enabled them to hire a second priest and a newcomer inclusion staff member. Due to these additions St. Thomas' is seeing numeric growth, and are extremely grateful. St. Thomas' "outside the walls" ministries include a wine bar Bible study (called The Bible Uncorked), membership and participation in the Brazos Interfaith Immigration Network, and ordained and lay volunteers serving in area hospitals and on hospital committees. The challenges that come with growth and energy include keeping up with that growth and energy. The congregation continues to work on finding ways to sustain their programs going forward that might not be dependent on paid staff members. They are also noticing the great wear and tear on our buildings and know that we will need to plan for building improvements in the near future.

Dean Lawrence was installed as the rector of St. Francis', College Station, after serving as there as priest-in-charge.

At St. John's, Columbus, Elizabeth Dowell was ordained to the diaconate and serves as St. John's pastoral leader.

Iona School student Nandra Perry was appointed as Pastoral Leader Intern for St. Philip's, Hearne. With St. Andrew's, Bryan, support St. Philip's hosted a Vacation Bible School and a St. Francis' Day pet blessing.

St. Paul's, Navasota, celebrated the 150th anniversary of the congregation in October with a service of Holy Eucharist and Confirmation, and an outdoor luncheon.

Daryl T. Hay, Dean

West Harris Convocation

In 2014, Clericus met at Ascension Episcopal Church for facilitated meetings with Bill Mack. In 2015, for one year, West Harris will have quarterly speakers at location TBD. Speakers will come from the Seminary of the Southwest, and there will be other speakers addressing specific topics. CEU's will be offered and the schedule will be published in late 2014.

Todd Bryant, Dean

Northeast Convocation

The Northeast Convocation of the Diocese of Texas meets on a monthly basis from September to May. St. Matthew's in Henderson graciously hosts us each month as a relatively central location for the convocation which covers a lot of geography. The expanse of the area covered by the convocation is one of the greatest challenges we face in our attempts at building community. It also makes those opportunities when we do meet together as Clericus, important times of collegiality.

The Clericus of the convocation is in the midst of transition. After faithfully serving St. Cyprians in Lufkin and as convocational dean, The Rev. Art Callaham took a position at Christ Church Cathedral in Houston. The Clericus is in conversation with the bishops and diocesan staff to explore new ways to structure our life together. We are excited about the opportunities that exploration might provide for ministry within the convocation.

Kevin Wittmayer, Dean

San Jacinto Convocation

The clergy of the San Jacinto Convocation meet the first Wednesday of each month for worship, lunch, and fellowship. Rev. Dr. Meg Bellows left as facilitator and now the Clericus is facilitated by Deborah Lindeen, we focus on prayer, encouragement, and support for one another. At these gatherings we have a time of checking in with each other offering a professional and personal experience from the prior month. This time is valued and continues to be a significant time of mutual support. We are also exploring topics of common concern and/or interest.

We meet in several of the parishes during the year with every other month holding the meeting at Trinity, The Woodlands, which is the most central location within the convocation. On the alternating months, we travel to host churches and enjoy their hospitality and have to opportunity to see the facilities of other parishes in our Convocation. In May we took a Quiet Day retreat at Camp Allen.

We are currently discussing how to meet the needs of the deacons and associates in the convocation – whether there should be a regular clericus meeting for them separate from the vicars and rectors.

Some changes within the churches of the San Jacinto Convocation in the past year (2014) include:

- Saint Dunstan's - The Rev. Randall Trego is now Associate Pastor
- Saint Cuthbert's –The Rev. Bruce Bonner the new rector
- Good Shepherd - The Rev. George McGavern is Priest-in-Charge

- Trinity – Rev. Sean Steele is now Associate Priest and Vivian Orndorff is the Curate.
- Saint Mary's - The Venerable Russ Oechsel went on a Sabbatical which included walking the entire Camino Santiago.

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

Gerald Sevick, Dean

Southeast Convocation

Holy Trinity, Port Neches

2014 has been a year of excitement at Holy Trinity. We entered 2014 as a new recipient of a Strategic Mission Grant from the Bishop Quin Foundation, and we have spent much of the year analyzing our ministries, especially as related to inviting and welcoming visitors. We are trying to reach out to our extensive geographic and multi-city area with all types of advertising. We have hired a New Member Ministry Coordinator. We are trying to connect directly to our communities, especially Port Neches and Nederland through activities in these communities. As part of this, Holy Trinity participated with PumpkinPatch USA to host an October Pumpkin Patch as a way to meet and greet people from our communities.

Under the steady and faithful leadership of the vestry, we combined our time, creativity, and money to accomplish many projects. Holy Trinity supported our local Jefferson County ministries including Port Cities Rescue Mission, Community Care-Prayer Outreach and Ubi Caritas in Beaumont. The parish also participated in the Angel Tree project during Advent with 60 gifts bought, wrapped and delivered. In addition to the above outreach projects, we offered many programs for the growth of the parish.

We hosted an evening Education for Ministry (EFM) group during the school year, supported 5 children for Camp Good News and gave Bibles to our graduates in May. The "new economic reality" of our times means that there are many people hurting and in need. Where there is great need, there is great opportunity for ministry. Holy Trinity is striving to live into our Matthew 25 mission.

St. Paul's, Woodville

This was an exciting year for us as our congregation hosted Bishop Jeff Fisher, Canon Kai Ryan, and a number of visitors for the Ordination to the Sacred Order of Priests on July 29, 2014, of the Rev. Ashley Cook, our new Vicar. As of Oct. 1, we have been serving in ministry partnership with her for one year. Additionally, we were overjoyed in August to be able to open a new staff position and to hire Jim Lazenby, a dedicated member who is now sharing his considerable and beautiful musical gifts with us as Music Minister, leading our choir and designing our music programming in partnership with our member and Organist, Wayne Sanderson, also currently serving as Bishop's Warden. Jim has a great interest in taking music ministry into the community, and we are excited to see where this missional work leads him – and us!

Ministry to the poor in funds and spirit continue through our members' work in the community ministries of Caring is Sharing and River of Life, and our in-house resale shop The Mouse, through prayer and Scriptural support and teaching, mentoring, and physical needs assessment and support.

We are active in spiritual renewal through attendance by members to Ultreya and Community of Hope spiritual retreats, formation and worship. We were blessed to offer scholarships to our high school and college graduating seniors. On Invitation Sunday, we hosted a beautiful casual service lakeside, sharing a meal and folk-singing afterward.

The Men's Group, along with the Women's Group, has several times shared their delicious Heavenly Hamburgers in the community, including on a visit to one of Woodville's newest

industries, a German wood pellet-processing plant, which resulted in welcome and conversation with people from both East Texas and around the world! Hamburgers have been sold to great success at various fundraising events that connect us with community, including Trade Days on our grounds, and the annual St. Paul's School Golf Tournament.

St. Paul's School this year reached a record enrollment of more than 45 students, and the golf tournament, with significant volunteerism from church members, raised a record amount of funds to support the school.

We are about to host our first Blessing of the Animals in a number of years, and will in November participate in the Tyler County Thanksgiving Service, with the choir singing and Rev. Ashley preaching at First Baptist Woodville.

St. Mark's, Beaumont

The Rev. Frank Fuller retired from St. Mark's, Beaumont on July 6 of this year. His wife, the Rev. Betty Fuller, Chaplain at All Saints' School and Assisting Priest at St. Mark's also retired on the same date. The Rev. Mark T. Crawford became the Interim Rector at St. Mark's effective August 8, 2014. The congregation is actively involved in a search for their new rector.

St. Stephen's, Beaumont

What an incredible year for us at St. Stephen's! Day by day we are living more into our Mission Statement : *Loving God, Sharing Jesus and Rejoicing in the Spirit!*

We had a very successful Sunday of Service again the last Sunday of September. People and children of all ages helped with nine different projects. The Rev. Pat Ritchie has assembled a great team to help. Her new committee, Common Mission, is starting its work together. We will be taking inspiration from others who are taking the gospel out to the people in their communities in their missional work.

One of the special services that we had was a "Beatles" Eucharist. You wouldn't believe how people related to the "all you need is love" as seen in the gospel and in their music! A praise band was assembled and the clergy even had "flower power" stoles for the occasion.

We continue to celebrate people who have come into our church twice a year with a service that includes a special liturgy called the "Liturgy of Belonging." We claim the newcomers as part of the family and they agree to be part of us. This is the first step of "belonging" before funneling them into the formal Confirmation classes, after they have been with us a while.

We have been blessed with a Strategic Mission Grant for 2014 and have hired a Congregational Development Coordinator who is working on assessing Spiritual Gifts and plugging the newcomers into ministry. She is also helping with promotion of events, confirmation classes, making areas on our campus more visually attractive (see banners in Broce Hall) and functional (narthex).

We have had a wonderful kick off this fall of Godly Play for our children. We had 11 teachers train during the summer, thanks in part to a financial commitment by the Diocese. There is much excitement and parental involvement in the program. Monies are being raised to order supplemental materials. Attendance and enthusiasm are all high.

We sponsored an Advent Lamar Orchestra and Choral Concert that filled our church and another musical piano offering of Haskell Small from New York. We look forward to having the Lamar Civic Orchestra with us again soon.

Wednesday Night Live classes continue with classes being held for all ages of attendees. (Men's book/bible study is on Tuesday mornings and EfM is offered Tuesday evening and Women's mid-week classes are on Wednesday morning.) The Daughters of the King and ECW continue to do the work of Christ both in and out of the church. Outreach was both usual and unusual: Some Other Place, the Tasting, Mission trips to Honduras, blood drives, Angel Tree gifts and this year Saturdays of Service during Lent.

On All Saints Sunday, Rev. Nancy DeForest presented 17 individuals to Bishop Fisher for confirmation, reception and re-affirmation. It was a joyous celebration as we welcomed these new members into the church. During the year there have been eight baptisms.

We celebrate with gratitude God's generosity to us as a congregation and look forward to new and creative ways that we will be able to both proclaim the Living Savior as we serve in His Name and for His Sake and continue to live out our Mission of "Loving God, Sharing Jesus, and Rejoicing in the Spirit!"

Trinity Episcopal Church, Jasper

Trinity is now under the clerical direction of Rev. Les Spear as full time supply priest, and Deacon Suzi Drury, who serves regularly for Sunday services and directs pastoral care. She also spends many hours directing and training for Altar Guild and various outreach ministries.

Currently we are a strong small family congregation of a steady 20 plus communicants every week. Our focus has changed from sending checks to various local organizations and throwing can goods into a basket for Jasper Share to be more intentional about our ministry as God's servants to those near and far. "Near" means gathering items for St. Vincent's' wish list. I have been in contact with the Rev. Freda Brown, Executive director of St. Vincent house, and told her we want to be a partner with them. I encourage all "Small and Large" Churches to help support one of our own. Also, I have asked her to come to Jasper to help with reconciliation of our on- going racial tensions, that although hidden still exist. "Far" means gathering church items, and money, to send to the Episcopal Indian Reservation Priests who work endlessly trying to minister to multiple mission churches. We are dedicated to this work. I have also generated interest in providing prayers and support for Kairos, an important Prison Ministry in the State Prison Systems in Texas.

After clergy conference we are taking to heart the directive of the Bishop about going outside the box with ministry. Since I have lived outside the box most of my life this was an easy one. We are landlords to the Head Start program which enroll about 90 children on our property every day of the week. I met with the director and asked her how, "We" as the community of Trinity can help them and be more active in their lives. She said they needed role models, readers and help with bringing people in because they could not fund field trips. SO! I suggested we start with a concert and they march the kids to the church for a concert. Rodney Barger, a friend and a master flautist, will perform a Native American type flute concert, hopefully dressed in his frontier dress, and talk about some of his experiences. At the end of the concert we will give each child a flute of their own. We believe that this is the beginning of many concerts and a means to live in our community in a positive way.

We have a Tuesday evening Bible Study with a meal, under the direction of Charles Alvarez. He is currently presenting a 19 week course on the Catechism, and our first Confirmand when the Bishop visits.

Our Church family believes that as long as we keep the Holy Trinity first, at Trinity, we will be Christ's hands, feet and voice to the world. God will send His people to our doors who need to hear the Good News of God's love, justice and mercy.

St. Paul's Episcopal Church, Orange

It was another incredible year for us at St. Paul's Episcopal Church in Orange! Our Christian Education program continues to be strong with members of the congregation enjoying Bible study on Sunday and book studies after Evening Prayer on Wednesdays. We are especially proud of two of our members who travel forty miles to participate in Education for Ministry (EFM) with the intention of becoming mentors and starting an EFM group at St. Paul's.

Recently, each family in our parish brought a cross to church which they considered to be special to them. The crosses have been blessed and hung in a beautiful display in our parish hall, and serve as a reminder to us of Christ's unfathomable love for us.

Recognizing that Lamar University-Orange has many students who maybe away from home and do not have a regular place to worship, we have reached out to them. We are prayerfully discerning how we can minister to them during this time in their lives.

Again, our focus continues to be centered on outreach and this year we continued our support of the men and women who serve in our armed forces in Iraq and Afghanistan. Members of the parish collected gift cards and necessities which were shipped overseas to those deserving service men and women. We also supported a community wide ecumenical program which provided hundreds of backpacks and school supplies to area children who were returning to school. In addition, several of our youth and adults put their faith into action and attended Missionpalooza in Oklahoma City, helping residents there rebuild their homes after the devastation caused by several tornadoes earlier in the year.

St. Stephen's, Liberty

St. Stephen's Liberty has enjoyed another year of abundant blessings. Our Music Department arranged several special musical events, including a special concert in February by internationally renown mezzo-soprano Ms. Sonja Bruzauskas, accompanied by Israeli master pianist Dr. Tali Morgulis. In March, we took a break from our Lenten disciplines to celebrate the Feast of St. Patrick with a festive gala and a good time was had by all. This spring we completed phase one of our "Growing for the Kingdom" project with beautiful new landscaping throughout our campus just in time for Easter. Our Building Committee is working with an architect to design a bell tower and columbarium and God willing, next year will see us calling the faithful to worship with the tolling of our bell, and laying our loved ones to rest on these sacred grounds. We began the summer season with a beautiful and moving Taizé service, and while we scaled back our mid-week Bible study for the vacation season, we celebrated the summer sunset each Wednesday with a beautiful candle light Evening Prayer. In July, we raised almost three thousand dollars and dispatched our hard working deacon, Glenda Hardin, to the Rio Grande Valley with the cash and a car load of supplies to assist with the border crisis. We held our first ever Acolyte Camp and began the fall Sunday School year with a fresh set of teachers and a great group of young people. We entered the holiday season with anticipation and joyful expectation, thanking God for our blessings as we continually seek new and better ways to serve our Lord.

Trinity, Anahuac

2014 has been full of blessing for Trinity, Anahuac. In June, Bishop Jeff Fisher joined us for a Confirmation. In addition to this we had 3 baptisms to celebrate on Easter morning this year. We are rejoicing in the increasing number of children and younger families in our congregation; in order to facilitate their formation activities we are blessed with a volunteer as our Safeguarding trainer. Our adult formation was furthered by a Lenten book study of Canon John Newton's book "New Clothes," for which participants read diligently and discussed actively. We strengthened our contributions to the Mid-Chambers County Christian Caring Center for a total of \$6,500.

We have a new digital media presence via our updated website and our Trinity Facebook page. Part of our Outreach is related to Lacey Largent's Seafarers Mission which allows a widely based participation across all ages in the congregation in collecting, packing and wrapping Christmas gifts for the often-overlooked merchant seamen. We are exploring the option of a Verger's ministry among the congregation and hope to spearhead a ministry to some of the many trailer parks in our area.

Our local ministerial alliance has found hosting a wellness program for local seniors challenging -- we pray this can be a missional community effort for us in the coming year. We continue to thank God for the many blessings that we have received and regard the task of taking the gospel to the world as both a serious effort and a joyful work!

St. John's, Silsbee

St. John's Silsbee celebrated its 60th anniversary this year with a weekend long celebration that included a Saturday barbeque lunch on the lawn and a jazz quartet, an unlikely pairing that worked together very nicely. We continued the celebration Sunday with a homecoming of sorts. Several of those who had the vision to petition Bishop Quin back in 1954 to establish an Episcopal mission in Silsbee are still active in the congregation. They and others who returned for the event received special recognition, and a few former members who attended the event have resumed regular worship at St. John's. We had several baptisms during the year, including a soldier who asked just days before his deployment to Afghanistan to be baptized. It was a particularly moving service for his mother and grandmother. We participated actively in Invitation Sunday, with many parishioners extending invitations to family, friends and neighbors. An ECW retreat day in September was well attended by women from the area, both Episcopalians and others. After two years of planning, and spearheaded by several retired educators in the congregation, we extended our outreach to local elementary schools to ensure that students who might not otherwise be able to participate will have the opportunity to buy books at their school's annual book fair. St. John's is active in the community, partnering with and supporting community outreach ministries and providing meeting space and hospitality for several groups, including a local non-profit counseling center, a retired teachers' organization and several 12-step groups. We approach 2015 with a renewed commitment to making Christ known in and around Silsbee.

Nancy DeForest, Dean

Southwest Convocation

Since 2012, I have had the privilege to serve as dean of the Southwest Convocation, and we continue to build trust and cohesion amongst the clergy of our convocation. We have high participation in our clericus gatherings which makes that time most worthwhile and edifying. Over the past few years, we have created a space where ideas can be shared and support is offered to one another.

For more than two years, we have been using a facilitated discussion format for our clericus gatherings, and we have found this format to be especially fruitful for our conversations. We are grateful to have Ms. Gaye Jones facilitate our discussions. With Ms. Jones travelling from Katy, we accommodate her by regularly meeting at St. Mark's, Richmond. Ms. Jones is clearly gifted in her work as facilitator, and she shows strong support of the clergy. Ms. Jones and I often solicit the group for ideas for our discussions, and we now ask others in the group to initiate and lead those discussions while Ms. Jones facilitates. We have discussed a range of professional, personal, and theological topics. The topics have been practical. For example, we discussed good practices for the management of staff. We also explored more theological and pastoral topics including the extent to which we might bring politics into the pulpit. It's clear that we have a diverse group in our convocation, and the element of trust created by the group has allowed for individual expression and corporate growth.

In the fall, we enjoyed welcoming Bishop Harrison to our October clericus. We found it helpful to visit with Bishop Harrison following clergy conference. Bishop Harrison provided

more clarity for us in terms of the expectation of our birthing missional communities, and she was able to report on her various responsibilities in the diocese.

We also welcomed the Rev. Kellaura Johnson and the Rev. Travis Smith into the convocation. Kellaura was called to serve as curate at Calvary, Richmond, and Travis was called to serve as rector of Holy Comforter, Angleton. It is a pleasure to have the two of them and their families in the convocation.

The church is well in the Southwest Convocation, and I look forward to the possibilities we will have in our ministry in the year to come.

Bert Baetz, Dean

Camp Allen Conference and Retreat Center

Camp Allen had over 56,000 visitors last year including over 9,000 youth. This year had many significant accomplishments including hosting over 1350 events for churches, non-profits and universities. A record number of clergy attended the fall clergy conference at camp in October. Camp Allen employs 75 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 three projects are the Camper Health Center, the high ropes course with a 350' zip line and new stone entrance. The next phase of the campaign will fund improvements to the existing campsites, a hike and bike trail and ultimately a fourth campsite.

The Camp Allen budget for 2015 is \$5,900,000 with a net change in assets of \$200,000 before depreciation. The summer camp program continues to grow at a record pace of 1928 campers attending one of 24 sessions.. The rate for a week of camp is \$576. 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

2013 Audited Results

Revenues:

Conference Center Fees	\$3,154,594
Summer Camp Fees	818,354
Campsites and Cabins	389,423
Discovery Fees	641,850
Gift Shop Sales	126,776
Gifts and other donations	385,570
Equestrian and other income	78,495

Total Revenues **\$5,594,762**

Expenses:

Conference Center	\$3,053,005
Summer Camp	1,024,238
Discovery	829,119
Campsite and cabins	302,786
Gift Shop	231,249
Equestrian expenses	126,945

Total Expenses: **\$5,567,342**
Net change before depreciation **\$ 27,420**
Depreciation **\$ 810,906**

Commission on Schools

Commission Goals:

The Commission worked on several projects this year. First, the Handbook for Schools was updated, specifically addressing the Standards for Schools, defining the range of programs offered in our Episcopal schools and clarifying the schools' relationship with the Diocese. Second, the smallest schools in the Diocese with enrollments of less than 50 students, received a campus visit from a member of the Commission as part of their new exemption from accreditation. This exception was approved by the Executive Committee and is greatly supportive of these tiny and/or start-up schools. Third, the Commission opened discussions about the presence of Mothers' Day Out (MDO) or Parents' Day Out (PDO) programs on campus. Different from schools and generally no longer licensed by the State, the quality and substance of these programs may benefit from general guidelines. Fourth, while each school has its own priorities and pressing issues, the Commission noted that one of the most recurring and complex issues for schools today involves issues with the internet, social media, and student phones during and outside of school hours. Most schools are finding that, despite having well documented policies, engaging parents in a more personal, ongoing forum has proved the most effective tool.

Standards for Schools; Certification of Schools:

The process for schools to become certified by the Commission, and subsequently approved by the Bishop, is now published in The Handbook. Schools must earn certification in one of three categories – Full Certification, Basic Certification (only for the smallest schools), or Recognition (for non-traditional schools), depending on their status with the Commission.

School Structure:

This year we have 59 schools working with the Commission. Enrollment overall shows an increase of approximately 2% from last year to 11,168 children from infancy through 12th grade. Nearly 56% of all of our schools are preschools, but the majority of schools offer programs that include preschool, elementary, and middle school. This Diocese also has 10 high schools of varying sizes and grade configurations. Episcopal schools in this Diocese currently employ just over 2,400 individuals.

Communications:

Information was collected this year about many schools' sense of their Episcopal identity. This information is shared in the Handbook for consideration by other schools as their programs evolve.

Fran Barrack, Chair

2014–2015 Commission on Schools Annual Report Summary

Number of Certified Schools

		Infants <1 yr.:	83
Preschool only:	33	1's:	297
Through Elementary:	7	2's:	886
Through Middle School:	9	3's:	1,240
Through High School:	8	4's:	1,297
High School Only:	<u>2</u>	5's in Kindergarten:	663
Total	59	5's in transitional/bridge K:	154

School Size by Enrollment

		1st grade:	559
Schools with <50 students:	9	2nd grade:	559
Schools with <100:	21	3rd grade:	543
Schools with <200:	14	4th grade:	536
Schools with <300:	5	5th grade:	512
Schools with >300:	10	6th grade:	560
		7th grade:	522
		8th grade:	549
		9th grade:	527
		10th grade:	533
		11th grade:	583
		12th grade:	<u>565</u>
		Total:	11,168

Enrollment by Age/Grade

Minority Student Enrollment (from schools that collect this data)

Students: 2,635 (approx. 24%)

Episcopal Student Enrollment (from schools that collect this data)

Students: 1,717 (approx. 15%)

Number Receiving Financial Aid:

Students: 1,245 (approx. 11%)

Students Identified with Special Needs:

Students: 102

Students in After School Programs:

Students: 2,227 (available to all students in some schools)

Total Number of Employees:

Employees: 2,402

Location of Schools by City

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

El Buen Samaritano

El Buen Samaritano is an outreach ministry of the Episcopal Diocese of Texas committed to helping Latino and other families in Central Texas lead health, productive and secure lives through high-quality healthcare, basic needs and education programs.

For more than 27 years, El Buen has provided community-based health services to underserved families in Central Texas. By offering a continuum of services, El Buen works hard to ensure individuals have access to a range of affordable prevention and wellness programs. Below is a list that includes highlights of its accomplishments in 2014:

- Provided nearly 7,300 patients with more than 17,000 primary care appointments;
- Conducted 1,200 consultations to provide professional medical treatment and counseling for clinical depression, anxiety and post-traumatic stress disorder;
- El Buen's food pantry distributed nutritious food to 5,400 families;
- Enrolled nearly 1,200 adults for English as a Second Language (ESL), Computer Literacy, Basic Literacy and GED Preparation classes;
- Approximately 250 children participated in youth enrichment programs, including afterschool tutoring and summer camp; and
- Volunteers from the Episcopal schools and churches of the Austin Convocation helped 1,000 families receive a free Thanksgiving meal at El Buen's largest annual community event.

We look forward to continuing our ministry to serve and strengthen families. On behalf of our board, staff and community, please accept our gratitude for the support the Diocese of Texas has provided over the years.

Iliana Gilman, Executive Director

St. Vincent's Episcopal House

St. Vincent's Episcopal House is a Jubilee Ministry of the Diocese. Begun in 1954 as an outreach ministry of St. Augustine of Hippo Church in Galveston. True to our heritage, those who serve at the HOUSE continue to care for the poor and working poor of Galveston County through a variety of programs and services. We offer affordable pre-school and childcare, a free medical clinic including mental health services and dental care, shelter vouchers for the homeless (Travelers), the only food pantry left on the Island, emergency assistance and direct aid and high school education for at-risk youth.

St. Vincent's House celebrated several major milestones in the past year. Begun in 1954, the HOUSE celebrated 60 years of Service to the underserved of Galveston county. In addition, Mr. Michael Jackson who worked tirelessly as executive director, stepped into retirement after 15 years of dedicated service. He was celebrated with a Gala dinner and a joyous review of the highlights of his ministry at St. Vincent's House. Additionally, a new executive director, The Rev. Freda Marie Brown, was installed in the celebration of new ministry on St. Vincent's Feast Day, September 29th. She arrived new to the Diocese from the Diocese of Dallas excited about the powerful legacy she was inheriting.

Of course, none of our celebratory events could have seen the light of day without the champions of St. Vincent's House---the staff, board of directors, volunteers, and various contributors of every possible resource. Because of them and others who are guided by the compassion of Christ, the HOUSE continued to make an impact in the lives of those whom Jesus loves.

Other notable events for the year included the annual Martin Luther King Day Prayer Circle and the annual Gospel-by-the Sea concert. The MLK Prayer Vigil was begun by Mr. Jackson as a call to solidarity on MLK Day for Justice and Peace in the community. The prayer vigil brought together an ecumenical group of religious and civic leaders throughout Galveston in

search of peace and justice in our common life together. The Gospel-by-the-Sea concert was held off of the Island this year, but the spirit of worship and vibrant Gospel music was alive and well. We also held our annual *Thanksgiving Feast* for the community where we transported 400 plus meals to the “shut-in” members at Galveston’s senior/disability centers, and two women’s shelters as well as prepared a sit down dinner for those who came to the HOUSE to share fellowship with us. Later, our *Christmas Joy* event was the way in which we assisted families whom we had met throughout the year to have a Christmas celebration when otherwise, for lack of resources, they would not.

Early in the year, St. Vincent’s House attained Collaborative status as a participating member of the Alliance of Community Assistance Ministries (or ACAM) This network of helping ministries are bound together by their missions of compassionate care and their desire to form collaborative partnerships, learn best practice models of care delivery, and continued learning so that the ministries can be developed to their fullest capacity. It was a major undertaking and accomplishment to attain collaborative status under Mr. Jackson’s tenure.

United as one, many brothers and sisters in Christ have shared with us in our mission to the marginalized in society. We had over 200 missionaries from more than 10 groups throughout the Diocese and in Galveston assist in various ways at St. Vincent’s House during the spring and summer of 2014.

Upward Hope Academy, the alternative school for at-risk youth on St. Vincent’s campus graduated a total of 41 students with high school diplomas in May. These were students who were abandoned as hopeless by the Galveston Independent School District. But St. Vincent’s House is an *Oasis of Hope*. The graduating valedictorian, with a GPA of 3.89 PA was homeless at the time of graduation and now she attends Texas A & M, Galveston through the tenacity and generosity of many, many friends of St. Vincent’s House and Hope Academy.

Hope Academy also became accredited this past year by the Southern Association of Colleges and Universities and Texas Catholic Conference. This major fete allows our graduates to be accepted at any qualifying place of higher learning.

Finally, we are ending our year with the launching of a dental clinic for 2015. Donated dental equipment and some remodeling will allow us to provide therapeutic dental care for the community. We hope to expand these services in the near future since dental health has been demonstrated to be a significant component of overall well-being and good health.

It has been a challenging year at St. Vincent’s House as our economy continues to struggle and our donors face a barrage of requests for financial, talent, and time resources. We continue to ask, though, because for those who come to us ---in anger, in shame, in sadness, in depression ---come because they HAVE TO; not because they WANT TO. As long as there are those who live in poverty, whose needs extend to the basic necessities of life---eating, sleeping under shelter, living with some measure of good health, educating their children well-- - St. Vincent’s Episcopal House will share that burden of poverty with them. The compassion of Christ compels us.

Freda Marie S. Brown, Executive Director

Episcopal Theological Seminary of the Southwest

Seminary of the Southwest announced that it reached – and exceeded – its Campaign for Leadership fundraising goal, receiving gifts of more than \$16 million. The announcement came October 9 as the seminary celebrated John Hines Day, the annual recognition of its founder. Alumni and church leaders joined faculty, staff and seminary trustees in the celebration.

“The confident and hopeful spirit that was present at its founding in 1952 still animates the community of teaching and learning at Seminary of the Southwest,” said Dean and President

Cynthia Briggs Kittredge. "Faith in the gospel of Jesus Christ and the conviction of its power to transform, shapes us for ministry. I am grateful beyond measure to all who support the work of this seminary."

Enrollment

A total of 98 students enrolled at Seminary of the Southwest for fall 2014. The 34 ordination track students are from the following dioceses: New York, Oklahoma, Texas, Idaho, Central Gulf Coast, Southeastern Florida, Rio Grande, Colorado, Alabama, Maryland, El Camino Real, Fort Worth, Northwest Texas, Western North Carolina, Mississippi, Central Florida, West Texas, Arizona.

Sixty-two percent of students receive financial aid for tuition through the seminary's scholarship aid and work programs.

Faculty

Dr. Scott Bader-Saye is Academic Dean and the Rev. Micah Jackson is Dean of Community Life. Thirteen highly qualified, mature Christian scholars hold permanent faculty positions in Old and New Testament, Church History, Christian Theology, Christian Ethics and Moral Theology, Liturgics and Anglican Studies, Preaching, Church Music, Contextual Theology for Ministry Christian Formation and Hispanic Church Studies.

Over 30 professionals from the Austin and San Antonio areas teach in the seminary's Loise Henderson Wessendorff Center for Christian Ministry and Vocation.

Board of Trustees

The Rt. Rev. Dena Harrison, Chair, Diocese of Texas

The Rev. Lisa Mason, Treasurer, Diocese of Texas

Ms. Stacy Morales, Secretary (non-voting member), Seminary of the Southwest

The Rt. Rev. C. Andrew Doyle, Ex. Officio, Diocese of Texas

Members: The Rev. Dr. Michael Attas, Diocese of Texas; Dr. Anthony Baker (non-voting member), Seminary of the Southwest; the Rev. Susan Barnes, Diocese of Minnesota; Ms. Fredricka Brecht, Seminary of the Southwest; Diocese of Texas; Mr. John Culmer, Diocese of Texas; the Rev. Dr. Bob Dannals, Diocese of Dallas; Mrs. Suzan Fenner, Diocese of Dallas; Mr. David Harvin, Diocese of Texas; the Very Rev. Cynthia Briggs Kittredge, Ex Officio (non-voting member), Seminary of the Southwest; Mr. Thomas Knudson, Diocese of Texas; the Very Rev. Justin Lindstrom, Diocese of Oklahoma; the Rt. Rev. J. Scott Mayer, Diocese of Northwest Texas; the Rev. Patrick Miller, Diocese of Texas; the Rev. Alex Montes Vela, Diocese of Texas; Mr. Ron Ogden, Diocese of Rio Grande; Dr. Steven Orwig, Diocese of Oklahoma; the Very Rev. Anthony Pompa, Diocese of Bethlehem; Dr. Lynwood P. Randolph, Diocese of Texas; the Rt. Rev. David Reed, Diocese of West Texas; the Rt. Rev. Gregory Rickel, Diocese of Olympia; Mr. Robert Schorr, Executive Chair, Diocese of Texas; the Very Rev. Barkley Thompson, Diocese of Texas; Ms. Kathleen Wells, Diocese of Fort Worth.

Alumni

Southwest graduates are ministering in 50 states and 23 countries. Our more than 1,300 graduates serve as priests, counselors, authors, healers and missionaries. They lead dioceses, direct the spiritual growth of children, guide the church in faithful service, or maintain a beacon of faith in unstable corners of the globe.

Advancement

Seminary of the Southwest has completed its campaign exceeding the original goal of \$15.9 million and raising more than \$16.1 million in major gifts toward endowed professorships, scholarships and the annual fund. Funds were raised throughout the Diocese of Texas and far beyond and included a \$2.5 million gift from the Henderson-Wessendorff Foundation of Richmond to support the newly named Loise Henderson Wessendorff Center for Christian Ministry and Vocation. Many other significant gifts were raised and six faculty chairs are fully endowed as a result of the campaign, chaired by the gracious and hard-working honorary chairs, The Rt. Rev. Claude E. Payne and Dr. Barbara Payne and fully supported at the highest level by the Board of Trustees of Southwest.

Commencement 2014

The graduating class of 2014 included 13 graduates prepared for ordained ministry and 18 graduates who earned degrees in religion, chaplaincy and counseling. The Rev. Dr. Justo L. González delivered the commencement address and we gave a Doctor of Divinity to The Rev. Dr. Justo L. González and The Rev. Alejandro Sixto Montes Mendoza and a Doctor of Humane Letters to Mr. John Sealy Jockusch.

Lecture series

Distinguished scholars and leaders in the church deliver the three annual lecture series on the campus. The Payne lecture, hosted by the trustees to honor Bishop Claude Payne, featured The Rev. Jimmy Bartz, lead minister and founder of Thad's, a movement of missionary people taking the love of Jesus "to the streets" in February 2014. The Harvey Lectures, hosted by Southwest students, occur in March, and Samuel T. Lloyd, III, rector of Trinity Church in Boston and known as one of the country's finest preachers. Blandy lectures, organized and hosted by Southwest Alumni, featured Sara Miles, founder and director of The Food Pantry and serves as Director of Ministry at St. Gregory of Nyssa Episcopal Church in San Francisco.

Details about the seminary's programs, faculty and news are at 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's Board of Trustees is composed of the bishops of the 28 owning dioceses, together with clerical and lay representatives elected by each diocese and representatives of other University constituencies. The Board of Regents, to which the Board of Trustees delegates some of its responsibilities for governance, is composed of Episcopal bishops, priests, and lay people, and may include a limited number of members of other Christian bodies. The chancellor of the University, elected by the Board of Trustees, is a bishop from one of the 28 owning dioceses.

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 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, and 98% of the class of 2014 are either employed or pursuing a graduate degree.

In July of 2014, the University lost one of its most iconic structures. Rebel's Rest caught fire on the night of July 23, and while the Sewanee volunteer fire department fought the blaze valiantly, much of the building was damaged. Due to the current building codes, Rebel's Rest cannot be rebuilt as it was. The University has engaged Antique Log Cabins of Chatsworth, Georgia, to conduct the disassembly of Rebel's Rest. Following the disassembly, the site will undergo archaeological investigation for evidence of earlier structures. Currently, no further determination has been made by the University regarding the future use of the salvageable materials, or the site itself.

College of Arts & Sciences

Enrollment from the Diocese of Texas: 50 students total (20 report Episcopal heritage)

Financial aid awarded to all college students from the Diocese of Texas: \$584,685

The School of Theology

Seminary

Enrollment from the Diocese of Texas: 2 students total (0 in the summer Advanced Degrees Program)

The Beecken Center

Education for Ministry (EfM) Groups: 41

EfM Diocesan Coordinator: Ms. Lucy M. Wagner, lmwagner1219@gmail.com, 713.253.4903

Support Received from the Diocese of Texas:

\$8,000 (Rank – tied 2nd [Alabama \$20,000.00])

Support Received from the Diocese of Texas churches:

\$5,075 (Rank – 9th)

An Episcopal Center of Learning

According to its mission statement, Sewanee "is an institution of The Episcopal Church dedicated to the pursuit of knowledge, understanding, and wisdom in close community and in full freedom of inquiry, and enlightened by Christian faith in the Anglican tradition, welcoming individuals from all backgrounds, to the end that students be prepared to search for truth, seek justice, preserve liberty under law, and serve God and humanity."

The University of the South, founded by church leaders from the southeastern United States in 1857, is the only university in the nation that is owned and governed by dioceses of The Episcopal Church, specifically the 28 dioceses that are successors to the original founding dioceses. The historic ownership and governance of the University by these Episcopal dioceses has produced a living synergy of leadership, resource, and mutual support, enriching the Church and advancing the university's role in American higher education.

Seth Hinkley, Trustee

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 15% 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 completed its 29th year of operation in June 2014, with an enrollment of 676 young men and women from 70 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 2013-2014 school year, generous gifts from parents, trustees, alumni, alumni parents, grandparents, friends, and foundations raised over \$2.6 million to support the School’s \$20.5 million budget. The endowment fund ended the fiscal year with a market value of \$29 million.

Members of the Class of 2014 were offered more than \$11 million in scholarships based on their academic, artistic, and athletic accomplishments. The students were accepted to over 225 schools around the world. 49% are attending public schools, with the remainder attending private institutions. 57% of the graduates are attending college out of state. These graduates join nearly 4,000 other EHS alumni spread across the country. Roughly 60% of EHS alums have returned to live and work in Houston after graduating from college. 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.

Under the direction of the Reverend Adam Greene, the religious program included daily chapel, as well as a number of special services (Founders Day, Grandparents Day, Advent Chapel, Ash Wednesday, Holy Week, and monthly Eucharists). Students of all religions and faiths attended the services, roughly 23% of them identified as Episcopalians. The vast majority of students served the community after school and on weekends by participating in service projects through the Nehemiah Center, the Houston Arboretum, Challenger Football and Basketball, the Race for the Cure, and many other social service agencies. Seniors from

the Class of 2012 contributed more than 9,000 hours to the community during their two-week outreach requirement in January.

The athletic pillar thrived as more than 70% of students participated in one or more sports. In the spring of 2014, both the varsity girls softball team and the boys track and field team captured the SPC championship title, capping off another excellent year of performance for student athletes. The EHS arts pillar also experienced a year of success. The spring musical, *Legally Blonde* was nominated for eight Tommy Tune awards and played to a sold-out house for all three of its performance. From the fall "Hauntcert" to the two art exhibitions and dance recitals, student artists had many opportunities to share their talents and skills with the broader community.

The 2014-15 school year marks the School's 30th year of operation. The anniversary celebration included a special presentation at the Founders Day chapel service and an extensive profile in the fall's *Pillars* magazine. As it celebrates this important milestone, EHS is already looking ahead to what the School hopes to accomplish over the next thirty years.

Ned Smith, Head of School

Members of the Board of Trustees

Chairman: The Rt. Rev. C. Andrew Doyle

Head of School: Ned Smith

Executive Chair: Melinda Budinger (Mindy) Hildebrand

Class of 2015

1. W. Craig Childers
2. Lester E. Clark, Jr.
3. Donald F. Faust, Jr.
4. Duane H. King
5. Paul C. Sorensen
6. Duncan K. Underwood

Class of 2016

7. Mark Barineau
8. Thomas L. Carter
9. Denman H. Heard
10. Henry D. (Hank) Jones
11. James W. Whitehead

Class of 2017

12. Ronald Cuenod
13. Thad Dameris
14. David Ducote
15. Laura Gilchrist
16. Michael Strode
17. Bridget Wade

To 2018 EXPIRES COUNCIL 2018

18. Melinda Budinger (Mindy) Hildebrand
19. Julie Donaldson
20. Gregory R. Geib
21. Gee Kane
22. Jeffrey J. McParland
23. Randa Duncan Williams

Episcopal High School and Episcopal High School Endowment Fund

Consolidated Statements of Financial Position as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 10,384,783	\$ 6,896,771
Inventories, prepaid expenses, and other assets	597,946	523,992
Pledges receivable for operations, net	793,304	1,089,072
Arbitration settlement receivable, net	213,460	318,607
Cash designated for provision for Plant Replacement, Renewal, and Special Maintenance	2,300,000	1,800,000
Pledges receivable restricted for long-term assets, net	3,544,008	5,822,615
Investments	29,279,731	25,726,968
Property and equipment, net	<u>67,309,321</u>	<u>68,423,623</u>
TOTAL ASSETS	<u>\$114,422,553</u>	<u>\$110,601,648</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable\$	\$ 752,745	\$ 972,329
Accrued payroll expenses	570,413	708,155
Funds held for others	262,395	265,028
Deferred tuition and fees	<u>8,445,270</u>	<u>7,281,050</u>
Total liabilities	<u>10,030,823</u>	<u>9,226,562</u>
Net assets:		
Unrestricted	76,388,296	76,596,655
Temporarily restricted	8,484,531	5,720,078
Permanently restricted	<u>19,518,903</u>	<u>19,058,353</u>
Total net assets	<u>104,391,730</u>	<u>101,375,086</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$114,422,553</u>	<u>\$110,601,648</u>

Episcopal High School and Episcopal High School Endowment Fund

Consolidated Statement of Activities for the year ended June 30, 2014

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Tuition and fees, net of financial aid of \$2,034,590	\$ 14,721,481			\$ 14,721,481
Fees related to auxiliary services	1,735,919			1,735,919
Other program revenue	248,973			248,973
Contributions	1,186,414	\$ 509,105	\$ 460,550	2,156,069
Fundraising events	1,089,891			1,089,891
Cost of direct benefits to donors	(173,529)			(173,529)
Investment return, net	439,928	3,176,698		3,616,626
Other revenue	<u>34,860</u>	<u> </u>	<u> </u>	<u>34,860</u>
Total revenue	19,283,937	3,685,803	460,550	23,430,290
Satisfaction of donor restrictions:				
Expenditures for program expenses	421,350	(421,350)		
Distribution from Endowment	<u>500,000</u>	<u>(500,000)</u>	<u> </u>	<u> </u>
Total	<u>20,205,287</u>	<u>2,764,453</u>	<u>460,550</u>	<u>23,430,290</u>
EXPENSES:				
Program expenses:				
Instruction	14,027,775			14,027,775
Auxiliary services	1,939,062			1,939,062
Other programs and activities	<u>111,045</u>			<u>111,045</u>
Total program expenses	16,077,882			16,077,882
Management and general	2,707,219			2,707,219
Fundraising	<u>1,628,545</u>			<u>1,628,545</u>
Total expenses	<u>20,413,646</u>			<u>20,413,646</u>
CHANGES IN NET ASSETS	(208,359)	2,764,453	460,550	3,016,644
Net assets, beginning of year	<u>76,596,655</u>	<u>5,720,078</u>	<u>19,058,353</u>	<u>101,375,086</u>
Net assets, end of year	<u>\$ 76,388,296</u>	<u>\$ 8,484,531</u>	<u>\$ 19,518,903</u>	<u>\$ 104,391,730</u>

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 Robert E. Kirkpatrick, now in his eighth year as Head of School. In May 2014, Bob delivered a vision of factors essential to sustaining excellence at SSES. It includes an emphasis on the value of collaborative, data-based decision making driven by notions of fairness and equity; operational sustainability; maintaining the mind-body-spirit balance; building 21st century skills and mindsets; clearly articulating our core values; an ongoing commitment to strategic thinking; and a commitment to teaching excellence through opportunities for professional growth and reflection.

Bishop Hines' founding vision of a talented and diverse student population is alive and well. The total enrollment of the School for 2014 is 691; the 176 boarding students represent 7 states, 34 cities in Texas and 16 foreign countries, bringing an unmatched diversity of race, ethnicity, and religion to our campus. Our 515 day students (189 in Middle School and 326 in Upper School) are from 37 different zip codes in the Austin area. Students of color represent approximately 29 percent of the enrollment, and approximately 40 percent when including international students. We awarded \$2.4 million in need based financial assistance to 99 students (14% of the student body).

In an effort to maintain or even exceed these exceptional statistics, Director of Admissions Lawrence Sampleton chaired a committee of staff and trustees that was charged with examining optimal enrollment at St. Stephen's. After a presentation of the committee's findings in December 2013, a smaller committee of trustees and staff, the Task Force on Strategic Enrollment, prepared its recommendations on long-range enrollment goals and priorities. The Board approved these recommendations in October 2014.

Once again, we opened the 2014-15 school year on sound financial footing, having now balanced the operating budget for ten years in a row. Annual giving remains healthy and strong with high participation numbers from all constituencies. We closed out the 2013-14 school year with \$1.3 million in unrestricted gifts to the school. We are especially pleased to note that 60% of our international families gave generously to Annual Giving.

Additionally, we have raised over \$25 million for our *Frame the Future* campaign, with \$1.8 million left to raise. We were very pleased that several of the *FTF* capital projects—Wycliff-Freeman Dorms, Temple Dining Hall and the Booth Student Center—as well as SSES staff, contractors and architects were honored with awards for construction and architectural excellence by Associated Builders and Contractors and the Austin Institute of Architects. Fundraising for the final *FTF* project, the Fitness and Wellness Center, an addition to the Middle School gym, is close to completion with hopes of groundbreaking in January 2015.

The Chapel is at the center of the St. Stephen's campus and experience, and includes significant opportunities for spiritual formation as well as student participation and leadership. Daily Chapel services include worship from the Episcopal tradition and an effort to celebrate our God-given diversity. On most days, 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. Our students expended more than 5,000 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. A faculty/staff/trustee committee, chaired by Chaplain Todd Fitzgerald, completed its year-long work evaluating the quality of this community service/service learning programming. The upgraded plan was implemented at the beginning of this school year.

The School continues to furnish its students with outstanding academic preparation. Last year, its students' mean SAT scores exceeded 1950 (633 Critical Reading, 677 Math, 642 Writing), its 106 graduating students enrolled at 65 different colleges and universities, and 23 percent of the School's graduating seniors were recognized as National Merit Semi-Finalists, National Achievement Scholars, National Hispanic Scholars, or National Merit Commended Students.

The 2014-2015 school year is off to a great start and we are optimistic about the future of St. Stephen's Episcopal School as it works to produce graduates who possess sharp minds, humble and serving hearts, and strong spirits.

Ellen Osborne Ray, Executive Chair, Board of Trustees

William Temple Center

The historic William Temple Center building on Galveston Island was sold in January of 2014. The board used the proceeds from the sale of the building to replenish the endowment. The ministry, which now operates out of Trinity Episcopal Church, continues to thrive under the leadership of Jeremiah Griffin.

On January 25th, 2014, a liturgy at the historic William Temple Center was held to thank God for the building and for the wonderful ministry that has taken place there over the years. Members of all three churches on Galveston Island were present for the celebration.

The William Temple Center, moving forward, will operate like other campus ministries in the Diocese of Texas. As such, Canon 32, which designates the William Temple Center as an official institution of the Diocese, will be deleted at our 2015 Diocesan Council. Below is the rationale for the deletion of Canon 32 that will be provided to the Council members:

"This canon is obsolete, as the William Temple Episcopal Center no longer operates in the manner described in the canon. Instead, the William Temple Episcopal Center currently operates out of Trinity Episcopal Church in Galveston as a campus ministry to UTMB. Like other campus ministries, the missioner reports to the Bishop's office. The William Temple Foundation still exists to provide financial support to the Center, but as a Texas non-profit corporation it is adequately governed by its articles of incorporation and bylaws and does not require a separate canon."

The future of the William Temple Center is bright. The ministry is more resilient and adaptive than it has been in times past, and it has a clear vision that will enable it to move forward as a campus ministry in the Diocese of Texas.

John Newton, Executive Chair

Episcopal Church Women

During the 2013-2014 year, the Board of the Episcopal Church Women of the Diocese of Texas met three times under the leadership of President Betsy Sullivan. We represented Diocesan ECW at the 165th Diocesan Council held in Galveston, promoting the United Thank Offering and our upcoming events. This year our board has focused on outreach and ways to increase outreach efforts in our communities.

During the year our Convocation Coordinators held spiritual growth gatherings in Salado, Galveston, and Houston. Approximately two hundred women attended the events, from the Austin, Northwest, Galveston, and East Harris convocations. Coordinators distributed

hundreds of calendars to ECW groups and the 151 churches in the diocese and visited many churches.

We awarded 14 scholarships totaling \$8,600 to Episcopal young women pursuing higher education through the Vera Gang Scott Scholarship Fund. Our board voted to give \$1,000 to St. Paul's, Waco, for the Habitat House they were building in West, TX. We awarded outreach grants totaling \$5,000 to Lord of the Streets, Houston; St. Vincent's House, Galveston; Girls of Grace, Austin; and St. Alban's, Waco. Also, we donated \$500 to St. James House, Baytown; \$500 to the Church Periodical Club; and \$1,000 to border relief efforts in McAllen. As our special local outreach project this year, our board selected River of Life in Livingston, a network of support for women who are trying to rebuild their lives, and collected gift cards donated by attendees at the Annual Retreat.

At our 113th Annual Retreat for Women at Camp Allen, hosted by Grace, Georgetown, we welcomed 142 women. For the first time in many years, we offered a full weekend retreat, which was very well received. We presented revised By Laws, approved by our Board of Directors and based on our visioning results. The proposed changes primarily included updating our mission statement, moving the Communications Chair to the Executive Committee, dissolving the Spiritual Growth Coordinator position, having Convocation Coordinators include spiritual growth workshops in their convocation gatherings, and consolidating board positions. The attendees voted to accept the changes. We also elected new officers, including Lisa Martin of St. Mark's, Austin, as the new ECW President.

Bishop Jeff Fisher has been instrumental in guiding our mission – to bring women together for sharing gifts of fellowship, service, and outreach while spreading the good news of Jesus Christ – and his presence and support are a true blessing to us.

Betsy Sullivan, Past President, 2011-2014

